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RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

Concerning the Production and Supply of Newspapers
in the City of Vancouver and Elsewhere in the
Province of British Columbia

—

DEPARTMENT OF JUSTICE
OTTAWA

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RESTRICTIVE TRADE PRACTICES COMMISSION

R E P O R T

CONCERNING THE PRODUCTION AND SUPPLY OF NEWSPAPERS
IN THE CITY OF VANCOUVER AND ELSEWHERE IN THE
PROVINCE OF BRITISH COLUMBIA

COMBINES INVESTIGATION ACT

Ottawa
1960

C. Rhodes Smith, Q.C., M.A., LL.B., B.C.L.
Chairman

Pierre Carignan, Q.C., M.A., LL.L.	A. S. Whiteley, B.A., M.A.
Member	Member

RESTRICTIVE TRADE PRACTICES COMMISSION

Room 451, Justice Building,
August 16, 1960.

Honourable E. Davie Fulton, P.C., Q.C., M.P.,
Minister of Justice,
Ottawa.

Sir:

I have the honour to submit to you herewith the report of the Restrictive Trade Practices Commission dealing with the production and supply of newspapers in the City of Vancouver and elsewhere in the Province of British Columbia.


The matter was brought before the Commission by the submission of a statement of the evidence obtained in the inquiry by the Director of Investigation and Research under the Combines Investigation Act and has been dealt with in accordance with Sections 18 and 19 of the Act.

Evidence and argument in regard to the Statement of Evidence were heard by the Commission in Vancouver, British Columbia, between January 11 and 14, 1960. In these proceedings Mr. F. N. MacLeod appeared on behalf of the Director of Investigation and Research and Mr. John L. Farris, Q.C., appeared on behalf of Sun Publishing Company Limited; Messrs. O. F. Lundell, Q.C. and A. J. MacIntosh appeared on behalf of Southam Company Limited; and Messrs. John L. Farris, Q.C., O. F. Lundell, Q.C. and A. J. MacIntosh appeared on behalf of Pacific Press Limited.

As Mr. Pierre Carignan, Q.C., was not appointed to the Commission until after the date of the hearing he has taken no part in the preparation of this report.

Yours faithfully,

(Sgd.) C. Rhodes Smith
Chairman



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CHAPTER I

INTRODUCTION

1. Reference to the Commission

This inquiry, which was conducted by the Director of Investigation and Research under the Combines Investigation Act, was brought before the Restrictive Trade Practices Commission by the submission by the Director of a statement of the evidence obtained in the inquiry.

In accordance with section 18(1) of the Act, the Statement of Evidence, which was dated July 17, 1959, was also submitted by the Director to Pacific Press Limited, The Southam Company Limited and Sun Publishing Company Limited, against whom allegations were made therein.

The situation giving rise to the inquiry by the Director is described in the Statement of Evidence as follows:

"2. This Statement deals with the publication of daily newspapers in the City of Vancouver and the arrangements under which The Province and The Vancouver Sun newspapers, formerly owned and published independently, were acquired by a single company (with certain measures being taken to maintain editorial independence, as will be explained below). The Statement also deals with the closing down of the The Herald newspaper and the purchase of its intangible assets by The Southam Company Limited which subsequently sold them to Pacific Press Limited, the present owner of The Province and the Vancouver Sun. The result of these arrangements is that three independently-owned newspapers formerly published in the City of Vancouver have been replaced by two newspapers owned by a single firm. Since the word 'merger' has a technical meaning under the Combines Investigation Act, the arrangements described are referred to throughout the Statement as an amalgamation or consolidation.

. . .

54. Following press reports of an impending consolidation involving The Province and The Vancouver Sun, the Director wrote to the respective publishers advising them that, in his opinion, any such consolidation would put him on inquiry under

the Combines Investigation Act. Subsequently, certain informal discussions were held between the Director and representatives of one of the publishers, largely for the purpose of the latter explaining to the Director the steps which the publishers proposed to take and the nature of certain collateral arrangements and agreements which, it was alleged, would safeguard the independence of each newspaper. When arrangements for the amalgamation were completed, the parties notified the Director to this effect and supplied him with copies of the various agreements. On June 18, 1957, the Director, with the approval of the Restrictive Trade Practices Commission, issued orders for returns of information to officers of The Southam Company Limited, Sun Publishing Company Limited and Pacific Press Limited. Returns were duly submitted on behalf of the respective companies by B.H. Shelley (Treasurer and Secretary - Southam), J.J. Rooney, (Secretary-Treasurer - Sun), and C.F. Bailey (General Manager and Secretary - Pacific Press)"

2. Conduct of the Inquiry and of Proceedings before the Commission

In the course of the inquiry the Director asked for and obtained returns of information by officers of The Southam Company Limited, Sun Publishing Company Limited and Pacific Press Limited. Supplementary information was also obtained by the Director by letters from officials of these companies. Oral evidence was given by witnesses who were examined before the Chairman or a member of the Commission at hearings held in June and September, 1959. The witnesses so examined were:

- (1) At Vancouver before C. Rhodes Smith, Q.C., Chairman, on June 2 to 4, 1958:

C.F. Bailey	General Manager and Secretary, Pacific Press Limited
Brendan Kennely	Member, Princeton Centennial Committee
J.W. Toogood	General Advertising Manager, Pacific Press Limited
B.M. Carter	Advertising Manager, The Province Newspaper
J.J. Rooney	Secretary-Treasurer, Sun Publishing Company Limited

A. W. Moscarella	Publisher, The Province Newspaper
R. E. Sheen	Manager, Vancouver Retail Store, Hudson's Bay Company
T. R. Farrell	Vice-President and Assistant General Manager, Woodward Stores Limited
David Kinnear	General Manager, British Columbia Retail Stores, The T. Eaton Company Limited
D. C. Cromie	President, Sun Publishing Company Limited

(2) At Toronto before A. S. Whiteley, Esq., Member, June 17, 1958:

St. Clair Balfour, Jr.	Executive Vice-President, The Southam Company Limited
------------------------	--

(3) At Toronto before A. S. Whiteley, Esq., Member, September 29, 1958:

Douglas Linton	Media Director, MacLaren Advertising Co. Limited
----------------	---

R. B. Wakeley	Vice-President, Foster Advertising Limited
---------------	---

Mark Napier	Vice-President, J. Walter Thompson Company Limited
-------------	---

Following the submission of the Statement of Evidence by the Director of the Commission and to the parties against whom allegations were made therein, the Commission received representations as to the date of the hearing for argument before the Commission. After considering these representations the Commission, by an order dated September 24, 1959, fixed Monday, January 11, 1960, at 10 o'clock in the forenoon, in the City of Vancouver, in the Province of British Columbia as the date, time and place at which argument in support of the Statement of Evidence could be submitted by the Director and at which persons against whom any allegations had been made in such Statement would be allowed full opportunity to be heard in person or by counsel, this proceeding being in accordance with section 18(2) of the Act. In giving notice thereof, the Commission further informed the parties that at the hearing they would have the opportunity of

calling any witnesses or of submitting additional documentary evidence.

At the hearing before the Commission, which continued on January 12, 13 and 14, the following appearances were registered:

F. N. MacLeod	For Director of Investigation and Research
John L. Farris, Q. C.	For Sun Publishing Company Limited
A. J. MacIntosh O. F. Lundell, Q. C.	For the Southam Company Limited
John L. Farris, Q. C. A. J. MacIntosh O. F. Lundell, Q. C.	For Pacific Press Limited

During the proceedings before the Commission, the following witnesses were examined, and exhibits numbered H-1 to H-43 were entered:

St. Clair Balfour, Jr.	Managing Director, The Southam Company Limited
G. G. Richardson	Partner, Clarkson, Gordon and Company, Chartered Accountants and former Chairman of the Accounting and Auditing Research Committee of The Canadian Insti- tute of Chartered Accountants.

For purposes of clarity, reference in this report to evidence given at the earlier hearings for the taking of evidence will be made as follows: "Evidence, p. . . .". Reference to evidence given at the hearing before the Commission will be made as follows: "Hearing, p. . . .".

3. Allegations

The following summary and allegations are contained in the Statement of Evidence:

"114. This Statement has dealt with arrangements in the daily newspaper field in Vancouver, British Columbia, whereby:

(i) The right to publish The Herald, a morning newspaper, was purchased by The Southam Company Limited and resold by it to Pacific Press Limited. The newspaper was then closed down.

(ii) The Province newspaper was purchased by Pacific Press Limited and changed from an evening to a morning newspaper and became, with the closing down of The Herald, the only morning newspaper published in the City.

(iii) The Vancouver Sun was purchased by Pacific Press Limited and became, with the shift of The Province to the morning field, the only evening newspaper published in the City.

Prior to these arrangements, the public had been served by one morning and two evening newspapers, all independently owned. Since the changes mentioned, the only daily newspapers published are one morning and one evening newspaper, both owned by Pacific Press Limited. Part of the arrangements provide that the publisher of The Province shall be appointed by the Southam Company Limited and the publisher of The Vancouver Sun shall be appointed by Sun Publishing Company Limited, although both (as well as other staff members) are paid by Pacific Press Limited.

115. As a result of these arrangements (and subject to the effect of the provisions relating to the appointment of publishers) Pacific Press Limited is in a monopoly position because it owns both the daily newspapers published in Vancouver.

116. These arrangements have operated and are likely to operate to the detriment of the public because the public has been deprived of a choice among independent competitive newspapers. The arrangements have and will further adversely affect the public because its monopoly position has enabled Pacific Press Limited to enforce arbitrary rules requiring certain classes of advertisers to purchase space in both newspapers if they wish to advertise. Moreover, the evidence indicates that the earnings of The Vancouver Sun are, in effect, subsidizing the operation of The Province and that advertising rates and selling prices of The Vancouver Sun have been raised to accomplish this result.

117. The parties seek to justify the arrangements on the grounds that they were economically necessary and that the collateral arrangements for the appointment of publishers are sufficient to protect the interest of the public from the effects of the absence of competition which would normally follow single ownership of the two newspapers.

118. Prior to the arrangements being entered into, the then morning newspaper was being operated at a loss and its owner wished to sell it. However, in a city the size of Vancouver, presumably there will always be a demand for a morning newspaper, especially since there is no other newspaper published in the immediate vicinity which covers local news fully. As long as such a demand exists, someone will try to satisfy it. Indeed, the fact that such a demand does exist was recognized in the move of The Province to the morning field. It seems safe to assume, therefore, that a morning newspaper would have continued to be published in Vancouver if these arrangements had not been entered into. The purchase of the right to publish The Herald was simply a part of the plan to give Pacific Press Limited ownership of all daily newspapers in Vancouver and to enable it to occupy both the morning and the evening fields.

119. The history of daily newspapers in Canada illustrates the difficulty of starting a new daily newspaper in a city in which one or more daily newspapers are being published. As already noted, new daily newspapers usually are started in areas not already served by a locally-published daily newspaper and are almost invariably started by converting an established weekly to a daily newspaper when an increase in population or similar factors justify such a move. As far as can be determined, all attempts in recent years to start new daily newspapers in cities already served by daily newspapers have failed. This is understandable because of the high initial capital cost of plant and equipment and because of the impossibility of securing adequate advertising revenue until circulation has been built up. As a practical matter, it would seem that the only way for a new-comer to enter the field in any large Canadian city is by purchasing an established daily newspaper as was done, for example, in the case of The Toronto Globe and Mail and The Ottawa Journal. This means that existing daily newspapers are unlikely to be faced with new entrants. In the case of Vancouver, the purchase of the right to publish The Herald virtually assures Pacific Press Limited that no other publisher can enter the daily newspaper field in that city.

120. Since a strike against The Southam Company Limited in 1946, profits from the operation of The Province have fallen off and in some years a loss was shown. However, in recent years the operation has shown profits, as outlined earlier in the Statement. The Southam Company Limited is one of if not the most profitable newspaper chains in Canada. Its Annual Reports up to 1956 do not give any evidence of concern over its Vancouver Province Division. In 1957, it was faced with heavy capital expenses over several years and, in the face of these, simply chose not to compete with Sun Publishing Company Limited, but

to buy an interest, with Sun Publishing Company Limited, in a third company which would own both the newspapers published in the City. This was undoubtedly the most attractive method of ensuring future profit, but it cannot be said that it was the only course, or the only profitable course, open to The Southam Company Limited.

121. While large economies were expected to result from the arrangements, they have not yet been achieved for a variety of reasons. It has proved impractical to proceed with the planned expansion of the so-called Mechanical Building and, until a completely new plant is built, economies from the integration of operations will probably continue to be very small. Moreover, the capitalization of the goodwill of The Vancouver Sun in Pacific Press Limited may bring the total financing involved in the present operation up to what would have been involved in building two separate plants.

122. The collateral arrangements for the appointment of publishers are insufficient to prevent detriment from resulting because

- (1) they are contingent and liable to be changed, with the result that complete control will pass to Pacific Press Limited; and
- (2) by their nature and particularly because of the mutual financial interests of the parties, they are unlikely to result in any substantial degree of competition.

123. It is my allegation that Pacific Press Limited is a combine in that it is a merger, trust or monopoly because it

- (1) has acquired control over the businesses of others; and
- (2) controls the business of publishing daily newspapers having general circulation in Vancouver, British Columbia,

and because such merger, trust or monopoly has operated and is likely to operate to the detriment of the public.

124. It is also my allegation that The Southam Company Limited and Sun Publishing Company Limited are parties or privies to the said combine."

4. Position Taken by the Parties with
Respect to the Statement of Evidence

In accordance with its usual practice the Commission requested each of the parties to submit, in advance of the hearing if possible, a written brief setting out the position taken with regard to the Statement of Evidence and the points upon which issue was taken with the Director.

The main issues raised in the briefs in reply to the Statement of Evidence are summarized in the following paragraphs.

The brief submitted on behalf of the The Southam Company Limited took issue with a number of facts as set out in the Statement of Evidence as well as with the allegations. In some instances the point was made that changes had taken place since the information on which the Statement was based had been obtained so that the facts set out in the Statement had been superseded by later developments. Such points will be dealt with in the review of the evidence which is made in this report.

The principal issues raised in the brief submitted on behalf of The Southam Company Limited were:

1. The attention of the Commission is directed to the following paragraph in the annual report of The Southam Company Limited for 1955:

"A development of major importance is the growing interest of newspaper advertisers in colour printing. This at once offers an additional source of profit and an additional demand on the capacities of our presses. We believe colour printing in newspapers has come to stay, and that it will increase in volume."

2. Since the formation of Pacific Press Limited savings have been made in operations.
3. The Province was in need of a new plant in the very near future at the time of the agreement to form Pacific Press Limited.
4. The Province had competed continuously for circulation in Vancouver and still makes every effort which management considers practical to secure as much circulation as possible.
5. Issue is taken with the conclusion in the Statement of Evidence which seems to indicate that general advertisers have

been forced to place advertisements in both papers and pay a corresponding rate.

6. Issue is taken with the conclusion in the Statement of Evidence that local advertisers, where advertisements fall within the class of general advertising, are adversely affected because of the rule requiring that such advertisements be placed in both newspapers.

7. Issue is taken with the conclusion in the Statement of Evidence which appears to indicate that increases in advertising rates were dictated by the position of The Province. In fact, this decision was taken by the management of The Sun without consultation with the management of The Province. Neither the management of The Province nor any official of The Southam Company Limited had any part in this decision or influenced it in any way.

8. Reference will be made to evidence in the inquiry which indicates that the combination rate was thought by management to be necessary if The Province was to be able to operate successfully in the morning field.

9. Reference in the Statement of Evidence to the slight increase in advertising rates put into effect by The Sun does not reflect the fact that there have been rate increases in large parts of Canada in advertising rates since the agreement in question and that accordingly there is nothing exceptional in the rate increase in Vancouver.

10. Issue is taken with the reference by the Director to the purchase by Pacific Press Limited of the assets of Sun Publishing Company Limited for \$8,500,000, of which \$2,250,000 represented tangible assets, and \$6,250,000 represented franchises and goodwill, and to the conclusion that the expenditure by Pacific Press Limited may very well equal or exceed the expenditures which would have been necessary if two separate new plants had been constructed. It is submitted that this presentation fails to take into account the fact that Sun Publishing Company Limited did have a substantial goodwill represented by its earning capacity and that it is unrealistic to make a comparison between the position of Pacific Press Limited subsequent to the agreement and that of Sun Publishing Company Limited and The Province prior to the agreement without taking into account the fact that The Sun did have such a substantial asset whether the value was placed on that asset in the balance sheet or not. The Director appears to consider that he may properly compare the expenditure of Pacific Press Limited to acquire the franchises and goodwill of The Province

and The Sun with the expenditures which would have been necessary if the two papers had continued to have been operated by their respective owners. It is submitted that such a comparison cannot be made, at least, without taking account of the fact that Pacific Press Limited did acquire a very valuable asset in the profit making capacity of The Sun.

11. No account has been taken in the operation of The Province since the agreement of the possibility that a divestiture might be ordered. It is submitted that the operation of the two newspapers since the agreement is at least as reliable a guide to their future as any other factor.

12. The Statement of Evidence appears to assume that it was possible for The Southam Company Limited to continue to operate The Province profitably in Vancouver. This assumption is challenged.

13. Competition will only continue so long as the competing enterprises can do so profitably or believe that a profitable operation is possible. If one of the competing forces is not in a position to operate profitably then it is submitted that competition cannot and will not continue to exist.

14. Objection is taken to the inclusion in the Statement of Evidence of the published comments of a newspaper columnist who is not available for cross-examination.

15. The Statement of Evidence appears to overlook the financial position of The Province and assumes that it was possible for both parties to the agreement to continue the operation of their respective newspapers in the way in which they had done prior to the agreement. It is submitted that a party will rapidly lose interest in the continued operation of a newspaper if the newspaper cannot be operated profitably.

16. Further evidence will be adduced before the Commission to:

- (a) explain the use of the combination rate in Vancouver;
- (b) explain the effect of the use of colour on the competitive position of The Province;
- (c) explain the effect of the use of Weekend by the Sun on the competitive position of The Province;
- (d) supplement the evidence as to the necessity of a new plant being erected for The Province;

(e) supplement the evidence as to the possibility of The Province operating profitably;

(f) supplement the evidence already given as to the reasons for the arrangement which lead to the formation of Pacific Press Limited;

(g) supplement the evidence already given as to the reasons for acquiring certain assets of The Herald;

(h) explain the reasons for the provisions inserted in the agreement to give the publishers of The Sun and The Province complete authority over the publication departments of each paper.

17. The Herald was shut down by its owners and not by the parties to this hearing.

18. The statement of allegations fails to take account of the other sources of competition in Vancouver, which do compete with The Sun and The Province.

19. The advertising rates and sale prices of The Sun have not been increased in order to subsidize the operation of The Province. These increases have been the result of the business judgment of the publisher of The Sun.

20. It is denied that the combination rate has operated to the detriment of the public.

21. It is not admitted that the fact that a demand for a newspaper exists means that someone will try to satisfy it. The provisions of paragraph 119 of the Statement of Evidence indicate that this statement in paragraph 118 of the Statement of Evidence is not borne out by the experience in Canada.

22. The evidence does not justify the assumption that a morning newspaper would have been published in Vancouver if the arrangement in question in this inquiry had not been entered into by the parties to the inquiry.

23. There is no evidence to justify the assumption made in paragraph 120 of the Statement of Evidence that The Province could have been operated profitably and, indeed, all of the evidence as to the future of The Province is to the contrary.

24. Paragraph 121 of the Statement of Evidence completely overlooks the differences between the situation which now exists and that which would have existed if both parties had gone forward

to build plants on their own. The evidence is that The Province could not have been operated profitably in such circumstances. Therefore, comparisons of the total financing required by Pacific Press Limited and that required by the two parties operating independently are not valid. In one case a profit is being earned whereas in the other, it is submitted, a profit could not be earned by one of the participants. Furthermore, as pointed out earlier, the Director seems to have overlooked the fact that the value of the goodwill of The Sun must be taken into consideration not only after but also before the formation of Pacific Press Limited.

25. It is submitted that the allegations disregard the actual competitive position of The Sun and The Province and are in error in assuming that The Province would continue to be competitive in Vancouver.

26. It is further submitted that the arrangements for the continuance of competition in the editorial departments were intended to preserve the independence of the respective newspapers and that these arrangements do distinguish this alleged merger from other mergers.

The following are the principal points contained in the brief submitted on behalf of Sun Publishing Company Limited:

1. Issue is taken with allegations of misconduct in their entirety and it is submitted that the evidence as a whole discloses no offence.
2. Issue is taken with the facts in the Statement of Evidence referred to in the brief for The Southam Company Limited and for the same reasons.
3. Issue is taken with the conclusion in the Statement of Evidence that the arrangements designed to ensure the editorial freedom of both newspapers do not appear adequate to ensure continued independence of the two newspapers.
4. It is submitted that the allegations of the Director that the arrangements are contingent and subject to alteration with the inevitable result that complete control of the daily newspaper field will pass to Pacific Press Limited are not correct. Even if they were correct they are irrelevant. The present inquiry is concerned with the arrangement entered into in May, 1957, and not some hypothetical arrangement entered into in the future.

5. It is submitted that the allegation in the Statement of Evidence that the public has been deprived of a choice among independent competitive newspapers is not correct. To the extent that the public's choice has been limited, this is a result of economic conditions and not a result of the agreement of May 1957. The agreement is a result and not a cause.

6. It is submitted that the allegation that Pacific Press Limited is enabled to enforce arbitrary rules requiring certain classes of advertisers to purchase space in both newspapers if they wish to advertise is not correct. There is no evidence of detriment to the public and the matter is not one that is within the purview of the Act.

7. The evidence does not justify the allegation that the advertising rates and selling prices of The Sun have been raised to subsidize The Province. In comparison with the rates elsewhere in Canada, the rates are fair and reasonable.

CHAPTER 11

SOME FEATURES OF NEWSPAPER PUBLISHING IN CANADA AND THE UNITED STATES

1. Daily Newspapers in Canada

The Statement of Evidence contains a considerable amount of general information on daily newspapers published in Canada and some information about newspapers in the United States. In addition, a number of exhibits filed with the Commission consisted of bulletins of the American Newspaper Publishers Association and statements based on statistics compiled by that Association giving details of the changes in the daily newspaper field in the United States as well as in Canada. Counsel for the Sun Publishing Company Limited referred the Commission to an article in the Canada Year Book for 1959 entitled "A History of Canadian Journalism from 1900 to 1958".

Statistics published in the March-April 1959 issue of Canadian Advertising showed 101 daily newspapers in Canada in 1958. The totals by provinces are given as follows:

Table 1

Daily Newspapers in Canada, 1958

<u>Provinces</u>	<u>Morning</u>	<u>Evening</u>	<u>Total</u>
British Columbia. . .	3	10	13
Alberta.	1	4	5
Saskatchewan.	-	4	4
Manitoba.	-	5	5
Ontario.	2 (1)	41 (1)	42 (1)
Quebec.	4	10	14
New Brunswick. . . .	3	3	6
Nova Scotia.	2	4	6
Prince Edward Island	1	2	3
Newfoundland.	<u>1</u>	<u>2</u>	<u>3</u>
	<u>17</u> (1)	<u>85</u> (1)	<u>101</u> (1)

- (1) Both a morning and an evening edition of The London Free Press are published. This newspaper is, therefore, shown in both the morning and evening columns, but is shown as one newspaper in the total column.

Note: These figures do not agree with those given by Editor & Publisher International Year Book Number which shows only nine evening newspapers in British Columbia and a total of forty-one daily newspapers in Ontario. However, the year book actually lists ten evening newspapers in British Columbia. In Ontario, it does not list The Fort Frances Daily Bulletin or The Kenora-Keewatin Daily Miner & News. This accounts for the discrepancy between the two sets of figures.

The Canada Year Book, 1959 gives the following Statistics of daily newspapers published in Canada in the years 1955, 1956 and 1957:

Table 2

Daily Newspapers in Canada,
1955-57

Province	Language	1955		1956		1957	
		No.	Circulation	No.	Circulation	No.	Circulation
Nfld.	English	3	28,923	3	32,276	3	38,789
P.E.I.	English	2	19,042	2	19,446	3	24,814
N.S.	English	5	150,339	5	149,557	5	150,670
N.B.	English	3	77,960	3	80,657	3	82,048
	French	1	7,268	1	7,374	2	31,189
Quebec	English	5	307,186	5	314,080	5	323,241
	French	10	616,999	10	615,648	10	620,337
Ontario	English	40	1,681,106	41	1,688,314	42	1,735,337
	French	1	26,976	1	27,950	1	29,567
Manitoba	English	6	205,065	6	207,848	6	207,207
Sask.	English	4	102,365	4	101,602	4	101,943
Alta.	English	5	204,927	5	215,017	5	224,511
B.C.	English	12	447,763	12	439,295	15	437,851
Canada	English	85	3,224,676	86	3,248,092	91	3,321,411
	French	12	651,243	12	650,972	13	681,093
TOTAL		97	3,875,919	98	3,899,064	104	4,002,504

The Canada Year Book also gives figures as to daily newspapers by cities of 30,000 population and over in the years 1956 and 1957:

Table 3

Estimated Numbers and Circulations of Reporting
Daily English and French-Language Newspapers
Published in Urban Centres of 30,000
Population or Over, 1956-57

Urban Centre	Census 1956	Language	1956		1957	
	Households No.		No.	Circulation	No.	Circulation
Brantford, Ont.	14,642	English	1	20,948	1	21,330
Calgary, Alta.	52,785	English	2	95,709	2	100,871
Edmonton, Alta.	57,748	English	1	97,023	1	100,874
Fort William, Ont.	10,118	English	1	14,133	1	14,713
Guelph, Ont.	9,284	English	1	12,286	1	12,432
Halifax, N.S.	21,194	English	1	107,199	1	107,607
Hamilton, Ont.	63,815	English	1	92,715	1	97,807
Kingston, Ont.	12,499	English	1	20,626	1	20,980
Kitchener, Ont.	16,074	English	1	32,642	1	33,461
London, Ont.	28,962	English	1	98,724	1	101,674
Moncton, N.B.	8,647	English	1	22,759	1	23,558
		French	1	7,374	2	31,189
Montreal, Que.	285,501	English	3	299,116	3	308,870
		French	4	350,318	4	356,337
New Westminster, B.C.	8,874	English	1	12,880	1	13,261
Oshawa, Ont.	13,530	English	1	13,000	1	14,426
Ottawa, Ont.	56,059	English	2	121,899	2	124,429
		French	1	27,950	1	29,567
Peterborough, Ont.	11,632	English	1	18,644	1	19,539
Port Arthur, Ont.	9,979	English	1	12,430	1	13,320
Quebec, Que.	38,556	English	1	6,267	1	5,650
		French	2	197,428	2	193,676
Regina, Sask.	23,883	English	1	47,334	1	48,352
St. Catharines, Ont.	10,971	English	1	24,537	1	25,532
St. John's, Nfld.	11,219	English	2	26,974	2	27,881
Saint John, N.B.	13,336	English	1	45,838	1	46,054
Sarnia, Ont.	11,917	English	1	14,374	1	15,047
Saskatoon, Sask.	20,315	English	1	38,531	1	38,202
Sault Ste. Marie, Ont.	9,169	English	1	14,023	1	14,714
Sherbrooke, Que.	13,646	English	1	8,697	1	8,721
		French	1	26,732	1	28,662
Sudbury, Ont.	11,526	English	1	26,192	1	28,623
Sydney, N.S.	6,914	English	1	26,867	1	27,237
Toronto, Ont.	157,137	English	4	901,605	4	917,316
Trois Rivières, Que.	10,912	English	-	-	-	-
		French	1	31,359	1	32,440
Vancouver, B.C.	108,953	English	3	343,756	2	319,782
Victoria, B.C.	17,309	English	2	51,051	2	54,776
Windsor, Ont.	33,280	English	1	77,170	1	77,492
Winnipeg, Man.	67,798	English	2	190,822	2	190,671

A review of developments in the daily newspaper field in Canada in recent years is given in the Statement of Evidence as follows:

"12. The following paragraphs deal with the number of newspapers in various cities. No attempt has been made to deal with the situation of a newspaper published in one city but distributed in others. This is quite important in some instances. Thus, for example, although Ottawa has no morning newspaper published in the City, it is served by both The Toronto Globe and Mail and The Montreal Gazette. Indeed, it seems likely that the availability of and the competition from these two newspapers were largely responsible for the fact that The Ottawa Journal and The Ottawa Citizen ceased to publish morning editions. This situation of a newspaper in one city serving other centres is probably more common in Eastern Canada because of the proximity of cities to each other.

13. The following are the cities in which more than one daily newspaper is published:

British Columbia

Vancouver	- Province (M.) Vancouver Sun (E.)
Victoria	- Colonist (M.) Times (E.)

Alberta

Calgary	- Albertan (M.) Herald (E.)
---------	--------------------------------

Manitoba

Winnipeg	- Free Press (E.) Tribune (E.)
----------	-----------------------------------

Ontario

- | | |
|---------|--|
| London | - Free Press (M.)
Free Press (E.) |
| Ottawa | - Citizen (E.)
Journal (E.)
Le Droit (E.) (French) |
| Toronto | - Globe and Mail (M.)
Star (E.)
Telegram (E.) |

Quebec

- | | |
|--------------------|--|
| Montreal | - Le Devoir (M.) (French)
Montreal-Matin (M.) (French)
Gazette (M.)
La Presse (E.) (French)
Star (E.) |
| <u>Quebec City</u> | - L'Evenement-Journal (M.)
(French)
Le Soleil (E.) (French)
L'Action Catholique (E.) (French)
Chronicle-Telegraph (E.) |
| Sherbrooke | - Record (E.)
La Tribune (E.) (French) |

New Brunswick

- | | |
|------------|---|
| Moncton | - L'Evangeline (M.) (French)
Times (M.)
Transcript (E.) |
| Saint John | - Telegraph-Journal (M.)
Times-Globe (E.) |

Nova Scotia

- | | |
|---------|---|
| Halifax | - Chronicle-Herald (M.)
Mail-Star (E.) |
|---------|---|

Prince Edward Island

- | | |
|---------------|---------------------------------|
| Charlottetown | - Guardian (M.)
Patriot (E.) |
|---------------|---------------------------------|

Newfoundland

St. John's - News (M.)
 Telegram (E.)

14. There are thus fourteen cities in Canada in which more than one daily newspaper is published (Excluding London which has a morning and evening edition of the same newspaper). However, in several of these cities, two of the newspapers are owned by the one publisher and in some cities these are the only newspapers. The situation by provinces is as follows:

British Columbia

Victoria - The Times and The Colonist are both published by Victoria Press Limited. It is stated that editorial policies are independent.

Vancouver - The Province and The Vancouver Sun are both owned by Pacific Press Limited. The relation between the two newspapers is dealt with more fully below.

Quebec

Quebec City - L'Evenement-Journal and Le Soleil are both published by Le Soleil Ltee. It will be remembered that there are two other daily newspapers published in this city.

New Brunswick

Moncton - The Times and The Transcript are both published by Moncton Publishing Co. Ltd. One other daily newspaper (in French) is published in the city.

Saint-John - The Telegraph-Journal and The Times-Globe are both published by New Brunswick Publishing Co., Ltd.

Nova Scotia

Halifax - The Chronicle-Herald and The Mail-Star
are both published by The Halifax Herald, Ltd.

Prince Edward Island

Charlottetown - The Guardian and The Patriot are
both published by The Thomson Company Limited.

In summary, therefore, the following are the cities in
Canada in which more than one completely independent daily news-
paper is published:

Calgary

Winnipeg

Toronto

Ottawa

Montreal

Quebec City

Sherbrooke - One English, One French.

Moncton - One English, M. and E. editions,
One French.

15. The statistics published in Editor & Publisher Inter-
national Year Book Number . . . show that the number of daily
newspapers published in Canada has remained relatively constant
for some years. The actual numbers are as follows (Note: Where
a newspaper has several editions throughout the day, it may be
listed as both a morning and an evening newspaper, but is only
shown in the total as one newspaper):

<u>Year</u>	<u>Morning</u>	<u>Evening</u>	<u>Total</u>
1940	17	78	95
1941	17	77	94
1942	17	78	95
1943	17	78	95
1944	17	78	95
1945	18	77	95
1946	18	80	98
1947	18	78	96
1948	18	79	97
1949	16	79	95
1950	16	79	95
1951	16	78	94
1952	16	80	96
1953	15	77	92
1954	15	79	94
1955	19	80	97
1956	18	79	96
1957	18	83	100
1958	17	81	98* <u>I</u>

* As explained above, Canadian Advertising shows a total of 101 for 1958.

16. While the figures in the foregoing paragraph show a slight increase in the number of daily newspapers published in Canada over the last eighteen years, this does not tell the whole story. The trend has been for the number of daily newspapers published in the larger cities to decrease and for those which remain in such cities to amalgamate, while new daily newspapers are started almost exclusively by small weeklies entering the daily field. This can be illustrated by listing the changes in the daily newspaper field in Canada which occurred during the calendar year 1957:

British Columbia

Kelowna - The Courier, which had been published twice weekly, became a daily.

I The totals for 1959 as given in the Editor & Publisher International Year Book, 1960 are 17 morning and 84 evening papers.

Penticton - The Herald, which had been published thrice weekly, became a daily.

Prince George - The Citizen, which had been published twice weekly, became a daily.

Vancouver - The Herald ceased publication. The Province and The Vancouver Sun were acquired by Pacific Press Limited.

Alberta

No changes.

Saskatchewan

No changes.

Manitoba

No changes.

Ontario

Pembroke - The Observer, which had been published thrice weekly, became a daily.

Quebec

Montreal - The Herald ceased publication. La Patrie, formerly published daily, is now published on Sunday only.

New Brunswick

No changes.

Nova Scotia

No changes.

Prince Edward Island

Charlottetown - The Thomson Company Limited, which published The Guardian, purchased The Patriot and now publishes both newspapers.

Summerside - The Journal-Pioneer, which had previously been published thrice weekly, became a daily.

Newfoundland

No changes.

In summary, during 1957, weeklies became dailies in Kelowna, Penticton and Prince George, British Columbia; in Pembroke, Ontario; and in Summerside, Prince Edward Island. One daily newspaper in Vancouver and two daily newspapers in Montreal ceased publication. In Vancouver and Charlottetown, two daily newspapers, which had formerly been independently owned, were amalgamated.

17. While there were a larger number of changes in 1957 than in some other years, the trend appears to be typical. As far as can be determined, attempts were made to start new daily newspapers in larger Canadian cities in only three instances in recent years - in the cases of The Citizen in Saint John, New Brunswick; The Citizen in Winnipeg; and The News in Hamilton. All ceased publication after comparatively short periods. On the other hand, there has been a constant elimination or amalgamation of existing dailies in the larger centres. The more important changes between 1945 and 1958 have been the following:

British Columbia

Prince Rupert - The Empire ceased publication (leaving The News as the only daily newspaper).

Vancouver - The Herald ceased publication, The Province and The Vancouver Sun amalgamated.

Victoria - The Colonist and The Times amalgamated.

Alberta

Edmonton - The Bulletin ceased publication ^[1] (leaving The Journal as the only daily newspaper).

Saskatchewan

No significant changes.

[1] According to a report in The Ottawa Citizen, January 24, 1951 The Edmonton Bulletin ceased publication on January 20, 1951.

Manitoba

Winnipeg - The Citizen was started as a daily but ceased publication.

Ontario

Hamilton - The News was started as a daily but ceased publication.

Ottawa - Both The Ottawa Citizen and The Ottawa Journal ceased publishing morning editions.

Quebec

Montreal - Le Canada ceased publication. The Herald ceased publication. La Patrie ceased publication as a daily.

New Brunswick

Moncton - In 1949, the long-established French weekly, L'Evangeline, became a daily. While this seems to be an exception to the general trend, since there was a daily newspaper being published in Moncton, it appears to be simply a reflection of the need for a French-language newspaper in the area. The circulation of the established English daily was not affected.

Nova Scotia

Glance Bay - The Gazette, which had been purchased by the United Mineworkers of America, ceased publication in 1948. Since it might be considered as a labour publication rather than a regular newspaper after its purchase by the Union, it probably should not be counted as a daily. Nevertheless, its demise left The Cape Breton Post as the only daily newspaper in industrial Cape Breton.

Halifax - The Chronicle (M.) and The Star (E.) were amalgamated with The Herald (M.) and The Mail (E.) respectively. Now The Chronicle-Herald (M.) and The Mail-Star (E.) are published by one firm.

Prince Edward Island

Charlottetown - The Guardian and The Patriot were amalgamated. The circumstances were unusual in that the plant of The Patriot was destroyed by fire and the sale of this newspaper was the only alternative to building a new plant.

Newfoundland

No significant changes.

18. If the Sydney-Glace Bay area is counted as one zone, there are fourteen metropolitan areas in Canada with populations exceeding 100,000. Of these, six have two or more completely independent newspapers. They are:

Calgary
Winnipeg
Toronto
Ottawa
Montreal
Quebec City.

Of the remaining eight, four have two daily newspapers, either as morning and evening editions of the same newspaper or as separate newspapers published by one firm. These are:

Victoria
Vancouver
London
Halifax.

The remaining four have only one daily newspaper. These are:

Edmonton
Hamilton
Windsor
Sydney-Glace Bay

Outside metropolitan areas with populations exceeding 100,000, only St. John's, Newfoundland, has two independent daily newspapers in the same language. Sherbrooke, P.Q., and Moncton, New Brunswick, each have independent dailies, but one is published in English and the other in French in each case. Saint John, New Brunswick, and Charlottetown, Prince Edward Island, have two daily newspapers published by one publisher."

Although, as shown in these paragraphs from the Statement of Evidence, the number of daily newspapers published in the larger cities has decreased and the total number of daily newspapers has changed little since 1940, there has been a major growth in circulation since 1940. The following table, based on figures published in Editor & Publisher International Year Book Number, shows the circulation of morning and evening editions of daily newspapers in Canada from 1940 to 1959. To a considerable extent the increase in newspaper circulation has paralleled the growth in urban population.

Table 4

Circulations of Daily Newspapers in
Canada, 1940-59

Date	<u>Total Morning Circulation</u>	<u>Total Evening Circulation</u>	<u>Total Morning and Evening Circulation</u>
Oct. 1/40	427,501	1,788,481	2,215,982
/41	429,464	1,830,004	2,259,548
/42	435,298	1,933,063	2,368,361
/43	444,827	2,023,795	2,468,622
/44	485,018	2,157,726	2,642,744
/45	524,351	2,303,372	2,827,723
/46	552,651	2,429,156	2,981,807
/47	581,663	2,423,616	3,005,279
/48	628,528	2,597,216	3,225,744
/49	621,890	2,698,277	3,320,167
/50	633,346	2,755,460	3,388,806
Sept. 30/51	636,326	2,810,589	3,446,915
/52	646,489	2,876,263	3,522,752
/53	680,182	2,948,464	3,628,646
/54	703,275	3,075,247	3,778,522
/55	749,923	3,069,010	3,818,933
/56	773,889	3,099,386	3,873,275
/57	882,365	3,008,533	3,890,898
/58	845,965	2,911,864	3,757,829
/59	855,272	3,008,426	3,863,698

Source: Editor & Publisher International Year Book.

The following extracts from the article in the Canada Year Book, 1959, previously mentioned, contain further information about developments in the daily newspaper field in Canada in recent years:

"The hand-in-hand growth in circulation and technology has had a vicious-circle quality. To serve a vastly enlarged readership, newspapers require elaborate and costly equipment; to pay for elaborate and costly equipment publishers must secure vastly enlarged readership. Under such conditions many an entrepreneur has found himself caught up in a situation in which he has had to gain all or nearly all the potential subscribers of his area if his enterprise is to continue. Thus in many communities there has no longer been room for two newspapers as there had been in the days of Mackenzie and Howe and rival journals have given no quarter in publishing battles that have ended only when all but one contestant has been driven from the field. Often the winner of a circulation fight has absorbed his opponents' publications, or at least acquired their assets of plant and subscription list. It is for this reason that so many modern Canadian newspapers have hyphenated or combination names such as Star-Phoenix, Evenement-Journal or Globe and Mail.

This process has brought about a trend towards what Oswald Garrison Villard has called, in reference to the United States, 'The disappearing daily'. Today the one-newspaper city has become the rule, the multi-newspaper city the exception. In 1900, 66, or more than half of the country's daily journals, were established in 18 towns or cities boasting more than two newspapers; in 1958, only 14 of Canada's 99 general-interest dailies were published in the four cities of this category. In 1900, 17 towns issued two daily newspapers each, or a total of 34; in 1958, there were only nine such centres to account for 18 newspapers.* In 1958, Canada had 67 centres that were served by a single

* This modest latter total includes two cities in which the independence of their dailies from each other is not, by any means, complete. In Victoria the Times and Colonist are owned by G. Max Bell and they share the same business and mechanical staff and mechanical equipment, but editorial staffs are distinct and separate, and the newspapers are quite different from each other in appearance and editorial content. Also in British Columbia, the Sun and Province are published by two companies which have formed a partnership for Vancouver but in other respects the two publications are quite distinctive.

newspaper. Places which supported two or more daily newspapers in 1900 but which in 1958 had either one or none are: Nelson and Rossland in British Columbia; Belleville, Berlin (now Kitchener), Brantford, Brockville, Chatham, Galt, Guelph, Hamilton, Kingston, London, Orangeville, Peterborough, St. Catharines, St. Thomas, Stratford, Windsor and Woodstock in Ontario; St. Hyacinthe in Quebec; Fredericton and Saint John in New Brunswick; Amherst, Halifax and Yarmouth in Nova Scotia; and Charlottetown in Prince Edward Island. Calgary, Flin Flon, Sherbrooke and Chicoutimi are the only places which had either one or no daily in 1900 but which now have two.

. . .

The trend toward bigness and an ever-increasing costliness of newspaper production has lent itself to a growing centralization of newspaper ownership in Canada. In 1930, 99 publishers ran 116 dailies whereas in 1953 the 89 dailies in operation were controlled by 57 publishers, 11 of whom controlled about 42 or nearly half of Canada's daily newspapers.

. . .

In some respects the monopoly of the one-newspaper city is less serious than it at first appears to be. While it is true that most Canadian centres have only one daily publishing within their confines, very often there are several circulating within their areas. In Eastern Canada, for example, many towns are served not only by their local papers but also by the Toronto Globe and Mail, Montreal Gazette, Toronto Star, Toronto Telegram and Montreal Star. The home-produced journal is usually supreme in its coverage of on-the-spot items, but it is not dominant by any means in its presentation of national and international news. Furthermore, the newscasts of local radio and television stations have worked against any easy and comfortable monopoly by individual dailies.

. . .

Two twentieth century developments, one somewhat unexpected, are related to the increasing timeliness of the press. One of these is the virtual disappearance of the newspaper 'extra', a disappearance that took place sometime between the two world wars. It is somewhat surprising that this 'most-up-to-date' newspaper edition should be discontinued at the very time the press was becoming increasingly up-to-the-minute. In this case, however, the radio proved powerful enough to reverse a trend. Since the broadcasting agencies

could disseminate news more quickly than even the fastest newspapers, the novelty value of the extra was lost.

The second development was the shift from the morning to the evening dailies as the most numerous and largest newspapers. This change, more marked in Central and Western Canada than in the Maritimes, occurred particularly during World War I when nearly all of the major news stories of the European struggle 'broke' in time for evening rather than morning editions. This shift has continued because Canada's working populace does not find as much time for newspaper reading in the morning as it does in the evening. The result is that today many cities such as Ottawa, whose Journal and Citizen both discontinued their morning editions in recent times, have only afternoon papers. In centres such as Calgary, Montreal and Toronto which have both kinds of journals, the afternoon publications almost invariably have larger circulations than the morning papers. In the rare instances where the reverse is true, the exception is often accounted for by special circumstances. In Victoria, for example, the dominance of the morning paper is probably accounted for in part by the fact that a large proportion of the population consists of retired persons who have morning leisure for newspaper reading."(1)

According to a Canadian Press dispatch, The Edmonton Bulletin, which ceased publication in January, 1951, was forced to close because it had been too successful in increasing circulation and advertising. The Canadian Press reported as follows:

"Mr. Straight [publisher of The Edmonton Bulletin] said the decision to close the paper had resulted from being 'too successful'. The newspaper had increased its circulation 66 per cent in three years and its advertising linage 88 per cent.

He said it was now confronted with the problem of building a new plant and buying a new press at an outlay of \$1,000,000. In addition, the paper was unable to obtain adequate newsprint supplies.

In a front-page announcement, the Bulletin says:

'The Edmonton Bulletin ceases publication with today's issues.

'Steadily rising costs of materials and labor have turned

(1) Dominion Bureau of Statistics, Canada Year Book, 1959, pp. 885-89.

the recent impressive success of the Bulletin into failure to continue publishing.

'In the last three years the Bulletin has made the largest percentage gain in circulation and advertising of any paper in Canada.

'Restricted newsprint (paper) supply, building and mechanical expansion limitations, forbid the Bulletin to handle this extraordinary growth, so we have to discontinue publication.

'Many newspapers have been forced out of business in centres of population much larger than Edmonton and the trend is that the number of cities able to support more than one newspaper is steadily decreasing.

. . . "'

(Exhibit H-11)

2. Daily Newspapers in the United States

Some developments in the daily newspaper field in the United States are described in the Statement of Evidence as follows:

"19. The trend towards consolidation of newspapers in the larger centres in Canada has been paralleled in the United States. This may be illustrated by the report in Time Magazine of August 4, 1958, dealing with the sale of The Cincinnati Times-Star (E.) to the Scripps-Howard newspaper chain. Scripps-Howard had originally published only The Post (E.) in Cincinnati. Then, in 1956, it purchased The Enquirer (M.) the largest newspaper in the City. Now, with the acquisition of The Times-Star, the chain owns all three and has merged The Times-Star with The Post. The same article in Time Magazine refers to the purchase of The Item (E.) in New Orleans by Times-Picayune Publishing Co. which already owned the Times-Picayune (M.) and The States (E.), the only other daily newspapers published in New Orleans. The article concludes:

'Twenty years ago, only eight of the U.S.'s 50 largest cities were one-owner newspaper towns. With demise of the Times-Star and the prospective death of the New Orleans Item, the total will now be 24.'

The New Orleans Item was subsequently merged with The New Orleans States.

Since the date of the report, there has been a further merger of ownership but not of publication in Chicago. A news dispatch in The Toronto Globe and Mail of January 6, 1959, includes the following paragraphs:

'Chicago. Jan. 5 (AP) - The owners of the Chicago Sun-Times today bought control of the Chicago Daily News in one of the biggest newspaper transactions in United States history.

. . .

It was the second big newspaper sale in Chicago in a little more than two years. The Chicago Tribune purchased the Chicago American Oct. 20, 1956. The price was not made public.

Mr. Field, at the age of 42, becomes publisher of two of the largest newspapers in the United States. He was elected president of the Chicago Daily News, Inc., today, and will serve as editor and publisher of both the News and the Sun-Times.

Field announced that the News will continue to function as a distinct and independent newspaper.'

(The Sun-Times is a morning newspaper and The Daily News an evening newspaper.)

20. In considering the situation in the United States, it should be remembered that certain non-economic factors may have been important, especially in past years. Thus, in his monograph 'Analysis of Some Economic Causes and Consequences of Daily-Newspaper Integration'*, Dr. Royal H. Ray said:

'... The urge for greater personal power through control of larger units or facilities encompassing wider areas is quite strong. Development of the Hearst chain - especially acquisition and retention of certain units - appears to have been primarily to satisfy the personal ego of William Randolph Hearst . . .'

(page 1)

* Syracuse University, 1951

There appears to be little evidence of similar factors being important in connection with any of the changes in the daily newspaper field in Canada. Also, although such factors are necessarily intangible and not susceptible to accurate assessment, it would appear that mergers and acquisitions in the United States within very recent years have been based largely on economic considerations.

21. The trend referred to above, i.e., large cities each having fewer daily newspapers, but more small centres each acquiring a daily newspaper, with an overall increase in circulation, is apparently expected to continue. For example, a news dispatch in The Montreal Gazette of March 2, 1959, reported on an address as follows:

'Ottawa, March 1 - (CP) - The director of the American Press Institute, Columbia University, New York, said Saturday night total circulation of newspapers in Canada and the United States will continue to go up.

J. Montgomery Curtis told the Canadian Managing Editors Conference he believes that large cities will in the future have fewer newspapers. However, more small communities which are growing rapidly would acquire daily newspapers.

In parts of the United States there now were cases of weekly newspapers growing to twice-weekly and to tri-weekly publication and finally to daily publication within two years.

Mr. Curtis said that newspapers will not be replaced by other means of communication such as radio and television "insofar as news on a day-to-day basis is concerned". He said it is the duty of editors to "impose a better newspaper on your community than your community deserves". '

22. Within the last few years, many publishers have increased the prices for their newspapers. Some particulars on this trend are contained in a news item printed in the Ottawa Citizen of February 6, 1959:

'NEW YORK (AP) - More than 400 daily newspapers in the U.S., Canada, Hawaii and Puerto Rico raised their circulation prices last year, the American Newspaper Publishers Association reports.

An AMPA survey showed 403 of 1,477 papers reporting increased single copy, home delivery, mail subscriptions and wholesale rates. In 1957, 524 of the reporting 1,296 dailies increased prices.

Of the 403, 121 reported resulting losses in circulation but all but 45 of these have recovered some of the loss.

The AMPA said there were 253 price increases in 1956. For the three-year period from 1956 through 1958, there was a total of 1,180 price increases."

Exhibit H 1 in the Commission hearing, which was filed on behalf of The Southam Company Limited, gives details of daily newspapers published in metropolitan areas in the United States with populations exceeding 600,000. The following are among the situations set out in Exhibit H-1.

Metropolitan New York, with a population of approximately 10,500,000, has 4 morning newspapers and 5 evening newspapers. Two of the papers are Hearst newspapers and two published in Long Island have the same owner. The New York Times has a daily circulation of over 670,000 and about twice that on Sunday. According to a report in Time, April 20, 1959, the gross newspaper revenue of the New York Times was \$85,576,162 in 1958 and its net earnings were \$166,052.

The situation in Chicago, where four newspapers are now controlled by two owners, is referred to in the extracts from the Statement of Evidence quoted above. The four papers are published in two plants. The Statement of Evidence also described the situation in New Orleans where Times-Picayune acquired and merged the The States and Item and provided one publishing plant for the morning and evening papers.

The San Francisco-Oakland area, with a population of 2,742,400, had two evening and two morning papers prior to August 10, 1959 when the News, a Scripps-Howard paper, merged with the Call-Bulletin, a Hearst paper. The Hearst group continued to own the Morning Examiner.

In the Los Angeles-Long Beach area, with a population of 6,362,500, three owners control five newspapers. Detroit, with a population of 3,792,100 has one morning and two evening newspapers under separate ownership. There are also three independent newspapers in Boston, with a

population of 2,420,500. The same situation prevails in Pittsburgh, with a population of 2,289,200 and in Washington, D.C. with a population of 2,031,500. Philadelphia, with a population of 4,201,000, has two owners and three newspapers.

Columbus, Ohio, with a population of 619,800, had three newspapers under separate ownership but recently there was a merger of one evening and one morning paper and arrangements were made to have the paper published in the plant of the third newspaper.

In Cleveland, which has a population of 1,703,400, the News and Plain Dealer (evening and morning papers respectively) were under the same ownership, while the Press was a Scripps-Howard paper. In January, 1960 the Press acquired the News, so that there is now one evening and one morning paper.

The number of daily newspapers in the United States declined from 1,944 in 1929 to 1,780 in 1949. Of the 747 suspensions or mergers in this period, 50 per cent of the papers had been published before 1930. There were 598 new dailies started in the period but only 225 survived until 1950 (Exhibit H-2). In the period 1950 to 1959 there were 91 outright suspensions of daily newspapers in the United States reported by the American Newspaper Publishers Association. In addition, 40 newspapers merged with another paper and 68 papers changed from being dailies to weekly or semi-weekly publications (Exhibits H-3 - H10).

CHAPTER III

RELATIVE POSITIONS OF THE PROVINCE AND THE SUN PRIOR TO AGREEMENT

1. The Vancouver Area

The following information is given in the Statement of Evidence about the population of the Vancouver metropolitan area and about the newspapers and other media in the area:

"29. The population of the Vancouver Metropolitan Area was 561,960 in 1951 and 665,017 in 1956. The breakdown of these totals is as follows:

	<u>1951</u>	<u>1956</u>
Vancouver (city).	344,833	365,844
Burnaby (municipal)	58,376	83,745
Coquitlam (municipal).	15,697	20,800
Delta (municipal)	6,701	8,752
Fraser Mills (municipal)	369	216
New Westminster (city).	28,639	31,665
North Vancouver (city)	15,687	19,951
North Vancouver (municipal) . .	14,469	26,252
Port Coquitlam (city)	3,232	4,632
Port Moody (city)	2,246	2,713
Richmond (municipal).	19,186	25,978
Surrey (municipal)	33,670	49,366
University Endowment Area . . .	2,120	2,999
West Vancouver (municipal). . .	13,990	19,197
Unorganized	1,951	1,956
Indian Reserves.	<u>794</u>	<u>951</u>
TOTAL	<u>561,960</u>	<u>665,017</u>

Source: D.B.S. Census of Canada 1956 - Population, Bulletin 1-6, July 17, 1957.

30. The Audit Bureau of Circulations gives the population of the city zone as 577,884 and of the city and retail trading zone as 767,921 (Source: Canadian Advertising, March-April 1959).

31. Daily newspapers published in other cities in adjacent areas of British Columbia and the United States include:

<u>City</u>	<u>Newspaper</u>	<u>Circulation</u>
New Westminster, British Columbia	British Columbia (E.) . .	15,468*
Victoria, British Columbia	Colonist (M.)	29,852*
Victoria, British Columbia	Times (E.)	23,920*
Nanaimo, British Columbia	Free Press (E.)	7,732*
Seattle, Washington	Post-Intelligencer (M.) .	196,955**
Seattle, Washington	Times (E.)	214,927**

* Canadian Advertising, March-April 1959.

** Editor & Publisher International Year Book Number, 1959.

32. The following radio stations are located in Vancouver and adjacent areas:

Vancouver	CBU
"	C-FUN
"	CJOR
"	CKLG
"	CKWX
New Westminster	CKNW
Victoria	CJVI
"	CKDA
Nanaimo	CHUB.

Source: Canadian Advertising, March-April 1959.

33. There are two Canadian television stations ^[1] serving the Vancouver-Victoria area of British Columbia:

CBUT	Vancouver
CHEK	Victoria

Source: Canadian Advertising, March-April 1959.

34. A number of United States radio and television stations are heard and seen in the Vancouver area. The most important of these is KVOs-TV at Bellingham, Washington, which is only approximately fifty miles south of Vancouver. Reception of this station in the Vancouver area is good and it is widely used by Vancouver advertisers. Its owners maintain a branch office in Vancouver.

^[1] Steps are being taken to establish a second television station in Vancouver.

35. Until June 1957, there were three daily newspapers published in the City of Vancouver. These were:

The Herald - a morning newspaper.

The Province - an evening newspaper.

The Vancouver Sun - an evening newspaper.

The Herald ceased publication on Saturday, June 15, 1957. On Monday, June 17, 1957, The Province became a morning newspaper and since that date it has been the only morning newspaper and The Vancouver Sun the only evening newspaper published in the City of Vancouver. Both these newspapers are now owned by Pacific Press Limited. Pacific Press Limited also purchased the goodwill, rights and franchises connected with the publication of The Herald.

36. The Herald was established as The News Herald in 1933 as a co-operative venture by a number of newsmen. In 1951, it was purchased by Sun Publishing Company Limited* which published the newspaper from April 1951 until February 1952 when it was sold to The Thomson Company Limited. It was owned by The Thomson Company Limited at the time it ceased publication in June 1957. The following news item appeared in The Province on June 15, 1957:

'The Herald publishes last edition

The last edition of The Herald started rolling off the presses shortly after 10 p.m. Friday, ending 24 years of publication.

The paper had announced May 28 that it was ceasing publication because of rising costs and economic pressure.

Friday night's edition referred to the paper's death only in a 15-line box on the upper left-hand corner of page 1. It thanked its readers, advertisers, and staff, and told subscribers they would receive The Province

* Sun Publishing Company Limited purchased The Herald solely to acquire the latter's surplus newsprint, which was then in tight supply. It sold the newspaper when the supply of newsprint became easier. (See Annual Reports of Sun Publishing Company Limited).

Monday morning when it succeeds the Herald in the morning field.

Most of the staff have taken employment on other papers. Equipment will be used mainly in other papers owned by the Thomson Company Limited. The Herald had been bought by Roy H. Thomson, company president, in February 1952.

The Herald was founded in 1933 as the News-Herald by a group of depression-stricken newspaper men who established it on a co-operative basis.

The Sun purchased a controlling interest in The Herald in 1951, a year before it was bought by Roy H. Thomson. ¹

37. The Province was established in 1898. The Southam Company Limited acquired control of this newspaper in 1927 from Wm. Southam & Sons Limited. The Southam Company Limited published the newspaper through a subsidiary from 1927 to the end of 1941, and directly from the beginning of 1942."

The Statement of Evidence also gives the following description of The Southam Company Limited and its operations:

"49. . . . The [Southam] company publishes the following newspapers besides The Province:

The Hamilton Spectator, Hamilton, Ontario
The Daily Nugget, North Bay, Ontario
The Ottawa Citizen, Ottawa, Ontario
The Winnipeg Tribune, Winnipeg, Manitoba
The Edmonton Journal, Edmonton, Alberta
The Calgary Herald, Calgary, Alberta
The Medicine Hat News, Medicine Hat, Alberta.

50. The company also operates printing plants in Montreal, Toronto and Vancouver, and two radio stations through subsidiary companies - Station CFAC (Calgary Broadcasting Company Limited), Calgary, Alberta, and Station CJCA (Edmonton Broadcasting Company Limited), Edmonton, Alberta. It is a part owner of All Canada Radio Facilities 'one of radio's well-known advertiser service organizations' (The quote is from Southam's 1954 Annual Report). It has part interests in television stations CHCH-TV, Hamilton, Ontario, and CHCT-TV, Calgary, Alberta.

51. Net profits for The Southam Company Limited as a whole, as shown in the company's Annual Reports, were:

	\$
1945 -	726,953.16
1946 -	1,019,705.40
1947 -	1,086,706.58
1948 -	1,181,415.81
1949 -	1,276,232.37
1950 -	1,296,533.45
1951 -	1,455,512.13
1952 -	1,689,529.76
1953 -	2,196,682.40
1954 -	2,327,780.00
1955 -	2,623,590.00
1956 -	3,198,772.00

52. The fixed assets and reserves for depreciation of The Southam Company Limited for 1956 were:

Fixed assets at cost or lower:

Land	1,396,561
Buildings	7,098,579
Less accumulated depreciation	<u>3,002,558</u>
Machinery and equipment . . .	12,347,513
Less accumulated depreciation	<u>8,510,928</u>
	9,329,167

In 1956, the company's gross revenue was \$36,609,127. Its net profit of \$3,198,772 represented 8.74 per cent of gross income. Its issued capital consists of 750,000 common shares of no par value. A chart in the 1956 Annual Report, reviewing the company's financial progress for the ten years 1947 to 1956 inclusive, shows that net profit per share increased steadily from \$1.44 in 1947 to \$4.26 in 1956."

The history of The Sun and the circulation record of The Herald are reviewed in the following paragraphs of the Statement of Evidence:

"38. The Vancouver Sun was established in 1886. The following details were supplied in the return of information made by J.J. Rooney, Secretary-Treasurer of Sun Publishing Company Limited. (In this return, Sun Publishing Company Limited is referred to as the 'Company').

1. . .

Because Vancouver papers, both morning and evening, have used various adaptations of the name "Vancouver Sun" during the years, I am prefacing my answers to questions 1, 2 and 3 with an historical summary of newspapers bearing this and similar names.

<u>From</u>	<u>To</u>	<u>Name of Publication</u>	<u>Publisher</u>	<u>Morning or Evening</u>
Feb. 1912	Mar. 1915	Morning Sun	Burrard Pub. Co. Ltd.	Morning
Mar. 1915	Mar. 1924	The Vancouver Daily Sun	Sun Publishing Co. Ltd.	
		and/or		
Apr. 1924	Jan. 1926	The Vancouver Sun The Vancouver Morning Sun (this paper sold to General V. Odium in 1926)	Sun Publishing Co. Ltd.	Morning
Apr. 1924	Sept. 1927	The Vancouver Evening Sun (the Evening World, an evening paper, was purchased in 1924 from C. E. Campbell, and published under the above name until September, 1927)	Sun Publishing Co. Ltd.	Evening
Oct. 1927 to date		The Vancouver Sun	Sun Publishing Co. Ltd.	Evening

1. The Company has published the newspapers known successively as "The Vancouver Daily Sun", "The Vancouver Sun", "The Vancouver Morning Sun", the "Vancouver Evening Sun" and "The Vancouver Sun" since March, 1915.

2. The Company purchased the Morning Sun from the Burrard Publishing Co. Ltd. in March 1915. I regret my inability to supply any further details of this purchase due to lack of records.

3. The Company published a morning newspaper from March 1915, to January, 1926, when the paper was sold to General V. Odium. The Company also published the News Herald from April, 1951, until February, 1952, when it was sold to The Thomson Company Limited.

. . .

39. The last reported circulation of The Herald covering the six-month period ending September 30, 1956, was 33,413. Its circulations for preceding years were:

1955	-	31,550
1954	-	32,151
1953	-	30,670
1952	-	33,079
1951	-	36,820
1950	-	36,447
1949	-	40,455
1948	-	40,714
1947	-	35,575
1946	-	30,964

Source: Editor & Publisher International Year Book
Number, 1947-1957."

2. The Province Fails to Recover Position after
Strike in 1946

Up to the time of a strike in 1946 against the Southam papers, The Province was the leading daily newspaper in Vancouver. While the strike affected operations of Southam papers in other cities it had very serious and persistent effects on the operations of The Province and led to The Sun securing and maintaining the position as the leading newspaper. The change in position as reflected in volume of circulation is shown in Table 5.

Table 5

Comparison of Average Annual Circulations,
The Province and The Sun
1945-57

	The Sun		The Province	
	Circulation	% of Total	Circulation	% of Total
Year ended September 30, 1945	93,156	44.2	117,674	55.8
Six months ended March 31, 1946(1)	98,304	44.1	124,443	55.9
Year ended September 30, 1947	129,597	58.3	92,926	41.7
" " " 1948	147,862	60.3	96,755	39.7
" " " 1949	160,609	62.3	97,200	37.7
" " " 1950	165,368	62.9	97,642	37.1
" " " 1951	167,571	63.1	97,902	36.9
" " " 1952	176,666	62.8	104,912	37.2
" " " 1953	184,216	60.4	121,194	39.6
" " " 1954	193,278	59.9	129,539	40.1
" " " 1955	194,795	61.5	122,157	38.5
" " " 1956	191,744	61.5	120,173	38.5
Period ended June 15, 1957 (date of merger)	198,045	61.8	122,721	38.2

(1) No comparative figures are available for the six months ended September 30, 1946, because The Province was forced by the strike to suspend publication from June 5 to July 22, 1946 and again from September 11 to September 14, 1946.

Source: Exhibit H-12.

The conditions under which The Sun assumed the leading position are reviewed in the Statement of Evidence as follows:

"43. An extract from the Annual Report of Sun Publishing Company Limited for 1946 is of interest in this connection. After referring to certain investments in logging companies in order to provide logs for Sunday operations of the Powell River Company Limited which had agreed to make the resulting extra production of newsprint available to British Columbia newspapers, the Report, dated November 27, 1946, continued:

'On June 5, 1946, the Vancouver Daily Province was closed down by a strike of the I. T. U. printers. The Sun then froze its circulation at the April level, average gross press run, 105,000, and further tightened advertising rationing, and maintained this until the end of June. Then due to public pressure and the extra newsprint, the Company removed most restrictions on classified advertising, accepted about half of the display advertising offered, and increased the daily gross press run by degrees until by the end of August it was frozen at an average daily net sale of 125,000. The present concrete demand for unsolicited Sun subscriptions is estimated at 10,000. Had it not been for the Sunday run at the mill it is estimated that little or no circulation increase would have been possible.'

44. Some comments on the effects of the strike were also made by B. M. Carter, Advertising Manager for The Province. Part of his evidence on this point is as follows:

'BY MR. MacLEOD:

. . .

A. Well, at the time of the strike we were shut down and then there were 35,000 subscribers just turned from The Province to The Sun.

Q. What date was that strike?

A. June 6, 1946. You see what that does to you. The other paper gets the circulation and you do not. There were other factors in there, there was a newsprint shortage at the time.

Q. Why should 35,000 make a difference to you?

- A. Well, the Sun's circulation at that time was roughly 100,000, and ours was 127,000. You take 35,000 off us and put it on The Sun and they go away ahead of us.
- Q. Is that terrifically important?
- A. Enormously important.
- Q. Why should that be?
- A. Because the advertiser will say he can get far more results out of a paper with the most circulation, and that is what he is buying.
- Q. Have you been able to make that up since the strike?
- A. No, we have put up a terrific struggle, spent a lot of money in promotion, trying to regain our circulation. In districts which are recognized as labor residences, for instance, Hastings East, we just simply cannot get back in there. We have about 23% coverage.
- Q. Why do you think that is so?
- A. There is still prejudice in people's minds. It was a well-organized strike, and for three years they distributed propaganda against us as a scab newspaper, which had an indelible effect in the minds of a lot of people.
- Q. Particularly in the labor class?
- A. Yes.
- BY MR. MacINTOSH:
- Q. When did the strike end?
- A. November, 1949.
- BY THE CHAIRMAN:
- Q. But your paper did not suspend publication?

A. We shut down for six weeks, at which time we tried to organize to get people to come in and operate our plant, but we could not get anyone. We gathered people from across Canada, who were called strike breakers. They slept indoors and we fed them indoors for about a year and a half. Then after we got going after the six weeks shut down the press men walked out. That meant another week's shut down.[†]

(Evidence, pp. 69-70) "

Mr. D. C. Cromie, publisher of The Sun, made the following reference in his evidence to the change in positions of the two papers:

"A. We had been running the newspaper -- I had been in it since 1942 running it. After the War the costs in the newspaper business became much higher. When The Province suffered a strike from the I. T. U. we had been for four or five years running a parallel position with them, behind in circulation, but not losing ground as we had previously. Under the burden of the strike we passed them. We made money, and it became apparent they were having a very difficult time. . . ."

(Evidence, pp. 151-52

It will be noted from Table 5 that the change in the positions of The Sun and The Province after 1946 was more than a mere reversal of the previous standings of the two papers. In 1945 and the first part of 1946, The Province had about 56 per cent of the circulation of the two papers and The Sun about 44 per cent. In the years after 1946, the proportion secured by The Province was usually less than 40 per cent and went as low as 37 per cent. The significance of such differences is described in the Statement of Evidence as follows:

"4. The main facts about the amalgamation are not in dispute. The parties concerned have been most co-operative throughout the inquiry and have promptly furnished the Director with all of the information which he requested. The material question is whether or not, in the circumstances, detriment to the public has resulted or is likely to result. This question is complicated because assessing real or potential detriment in the case of arrangements relating to the publications of newspapers appears to raise somewhat different considerations than those which would be raised by

similar arrangements relating to other commodities. The relevance of such matters as effect on editorial freedom are obvious. Moreover, competition in the newspaper field is different in many respects from normal commercial competition. One aspect peculiar to this field may be emphasized. In ordinary business, except where the demand for the product concerned is inelastic, it is usually possible for one firm to expand without necessarily seriously affecting other firms in the same field in the area. To put it another way, one firm doing a volume of business which shows a profit can continue to operate as long as it can secure that volume, regardless of the volume secured by competitors. In the case of a newspaper (taking circulation as its volume of business), this is not so. A very large proportion of its revenue is derived from advertising and the amount of advertising which will be placed in it depends to a great extent not on its circulation considered by itself, but on its circulation relative to that of other newspapers in the same area. Even if a newspaper is able to maintain a relatively constant circulation, if a competing newspaper is able to secure a larger circulation, it will tend to attract advertising revenue to itself at the expense of the first newspaper. If the disparity in circulation becomes great enough, the first newspaper is likely to be forced out of the field. These considerations apply although to a somewhat lesser extent even in the case of a morning and an evening newspaper published in the same area, although other important considerations arise as well. However, the point is that the circulation of a particular newspaper cannot be considered in isolation - the important thing is how that circulation compares with the circulation of competing newspapers in the same area. An illustration of this aspect is afforded by figures published recently in connection with a newspaper merger in Chicago. According to Business Week (February 28, 1959), the circulations and the advertising revenues of the four Chicago daily newspapers for 1958 were:

	<u>Circulation</u>	<u>Advertising Revenue</u>
		\$
Tribune	900,000	63,300,000
News	548,000	19,500,000
Sun-Times	534,000	19,000,000
American	467,000	12,000,000

It will be noted that while The Tribune's circulation was only 1.6 times that of The News, its advertising revenue was 3.2 times greater. The circulation of The American was just over one-half that of The Tribune, but its advertising revenue was only one-fifth that of The Tribune. While the exact situation varies from city to city, the usual situation is for the newspaper having the greatest circulation in any area to obtain the largest proportion of the advertising and to secure the largest revenue from this source. In his oral evidence B.M. Carter, Advertising Manager of The Province said:

'BY MR. MacLEOD:

. . .

- Q. What determines whether a newspaper makes money or not?
- A. Mainly advertising revenue together with revenue from circulation. But the circulation revenue does not pay more than 30% or 35% of the total operation. Advertising revenue has to make up the balance.
- Q. What factors determine whether a paper will receive advertising or not?
- A. Just the ability to produce results.
- Q. When you say produce results do you mean in circulation?
- A. Yes, it is all based on circulation.
- Q. How did you find your position with respect to The Sun when they had a larger circulation than you did?
- A. Well, they were growing and we were not, we were subsiding, and the merchants took the standpoint they were going to buy where they were going to get the greatest coverage for the least money.
- Q. Did you find advertisers placed their advertisements in The Sun rather than in The Province?
- A. Very much so. Their volume went right up.

. . .'

(Evidence, pp. 71-72)''

At the hearing before the Commission Mr. St. Clair Balfour, Managing Director of The Southam Company Limited, said that he agreed with the foregoing description of the nature of competition in the newspaper field (Hearing, p. 1130).

The Province maintained its position as the leading advertising medium until 1947, but the positions were reversed in the following years, and from 1951 on The Sun increased its share of total advertising lineage, as shown in Table 6.

Table 6

Comparison of Advertising Linage Carried by
The Province and The Sun,
1945-56

Years ended December 31	Lines General	%	Lines Retail	%	Lines Classified	%	Lines Total Lines	%
1945 Sun	1,678,208	45.7	3,335,948	51.3	3,126,928	39.9	8,141,084	45.2
Province	<u>1,991,822</u>	54.3	<u>3,167,206</u>	48.7	<u>4,692,352</u>	60.1	<u>9,851,380</u>	54.8
Combined	<u>3,670,030</u>		<u>6,503,154</u>		<u>7,819,280</u>		<u>17,992,464</u>	
1946 Sun	1,477,560	44.1	3,441,018	49.3	4,701,732	51.1	9,620,310	48.9
Province	<u>1,874,712</u>	55.9	<u>3,535,406</u>	50.7	<u>4,507,356</u>	48.9	<u>9,917,474</u>	51.1
Combined	<u>3,352,272</u>		<u>6,976,424</u>		<u>9,209,088</u>		<u>19,537,784</u>	
1947 Sun	2,148,972	38.5	4,904,046	45.2	6,634,516	52.5	13,687,534	47.0
Province	<u>2,438,602</u>	61.5	<u>5,952,580</u>	54.8	<u>6,020,427</u>	47.5	<u>15,411,609</u>	53.0
Combined	<u>5,587,574</u>		<u>10,856,626</u>		<u>12,654,943</u>		<u>29,099,143</u>	
1948 Sun	3,287,228	49.6	7,449,526	52.1	7,753,088	55.4	18,489,842	53.5
Province	<u>3,335,092</u>	50.4	<u>6,828,621</u>	47.9	<u>6,219,247</u>	44.6	<u>16,382,960</u>	46.5
Combined	<u>6,622,320</u>		<u>14,278,147</u>		<u>13,972,335</u>		<u>34,872,802</u>	
1949 Sun	4,495,554	53.4	8,123,122	51.5	7,285,586	58.5	19,904,262	54.5
Province	<u>3,919,117</u>	46.6	<u>7,655,611</u>	48.5	<u>5,157,782</u>	41.5	<u>16,732,510</u>	45.5
Combined	<u>8,414,671</u>		<u>15,778,733</u>		<u>12,443,368</u>		<u>36,636,772</u>	
1950 Sun	4,618,166	53.8	7,135,268	50.0	6,950,930	58.6	18,704,364	53.5
Province	<u>3,953,205</u>	46.2	<u>7,135,825</u>	50.0	<u>4,907,112</u>	41.4	<u>15,996,142</u>	46.5
Combined	<u>8,571,371</u>		<u>14,271,093</u>		<u>11,858,042</u>		<u>34,700,506</u>	
1951 Sun	4,581,878	53.5	6,897,744	50.5	6,779,500	58.9	18,259,122	53.5
Province	<u>3,973,939</u>	46.5	<u>6,744,777</u>	49.5	<u>4,919,871</u>	42.1	<u>15,638,587</u>	46.5
Combined	<u>8,555,817</u>		<u>13,642,521</u>		<u>11,699,371</u>		<u>33,897,709</u>	
1952 Sun	4,502,974	54.8	7,147,196	51.6	6,656,104	57.6	18,306,274	54.5
Province	<u>3,706,299</u>	45.2	<u>6,703,060</u>	48.4	<u>4,893,923</u>	42.4	<u>15,303,282</u>	45.5
Combined	<u>8,209,273</u>		<u>13,850,256</u>		<u>11,550,027</u>		<u>33,609,556</u>	
1953 Sun	5,143,740	52.9	7,573,062	51.9	7,336,560	59.3	20,053,362	54.5
Province	<u>4,573,680</u>	47.1	<u>6,994,759</u>	48.1	<u>5,031,595</u>	40.7	<u>16,600,034</u>	45.5
Combined	<u>9,717,420</u>		<u>14,567,821</u>		<u>12,368,155</u>		<u>36,653,396</u>	
1954 Sun	5,063,590	53.0	9,139,844	53.6	7,678,272	61.1	21,881,706	55.9
Province	<u>4,498,080</u>	47.0	<u>7,894,332</u>	46.4	<u>4,874,661</u>	38.9	<u>17,267,073</u>	44.1
Combined	<u>9,561,670</u>		<u>17,034,176</u>		<u>12,552,933</u>		<u>39,148,779</u>	
1955 Sun	5,059,138	52.9	10,202,206	54.4	8,432,508	61.9	23,693,852	56.5
Province	<u>4,502,859</u>	47.1	<u>8,570,626</u>	45.6	<u>5,182,366</u>	38.1	<u>18,255,851</u>	43.5
Combined	<u>9,561,997</u>		<u>18,772,832</u>		<u>13,614,874</u>		<u>41,949,703</u>	
1956 Sun	5,658,492	52.0	10,553,536	55.5	9,057,020	62.6	25,269,048	56.9
Province	<u>5,224,952</u>	48.0	<u>8,485,458</u>	44.5	<u>5,399,806</u>	37.4	<u>19,110,216</u>	43.1
Combined	<u>10,883,444</u>		<u>19,038,994</u>		<u>14,456,826</u>		<u>44,379,264</u>	

Source: Exhibit H-14

The changes in the relative positions of The Sun and The Province with respect to advertising and circulation are reflected in the revenues of the two papers in the period 1945 to 1956.

Table 8
Advertising and Circulation Revenues,
The Sun,
1945-56

Year Ended August 31	Revenue Derived from Sale of Advertising				Revenue Derived From Circulation
	General	Retail	Classified	Total	
1945	\$ 230,603	\$ 392,901	\$ 288,376	\$ 911,880	\$ 757,538
1946	269,661	412,949	396,442	1,079,052	852,996
1947	260,680	569,541	735,696	1,565,917	1,089,552
1948	614,889	1,045,237	1,071,359	2,731,485	1,235,139
1949	987,049	1,409,724	1,231,626	3,628,399	1,349,543
1950	1,286,641	1,461,740	1,259,176	4,007,557	1,524,618
1951	1,523,180	1,622,332	1,401,757	4,547,269	1,732,055
1952	1,717,760	1,935,612	1,541,321	5,194,693	1,843,985
1953	2,065,890	2,198,698	1,813,221	6,077,809	1,936,094
1954	2,247,528	2,520,164	1,983,075	6,750,767	2,018,715
1955	2,277,044	2,964,674	2,235,881	7,477,599	2,256,123
1956	2,657,300	3,205,040	2,468,832	8,331,172	2,452,578

Source: Exhibit 15.

The change in the positions of The Province and The Sun were reflected in their respective earnings. The Province is operated as a division of The Southam Company Limited but separate financial statements for it were submitted in the inquiry. Table 9 compares the earnings, before taxes, of The Province and The Sun.

Table 9

A Comparison of the Earnings and (Losses)
before Tax of The Province and The Sun,
1945 to May 31, 1957

	The Sun Year Ended August 31	The Province Year Ended December 31
1945	\$ 124,002	\$ 433,111
1946	83,467	26,941
1947	46,218	(24,098)
1948	223,204	(143,402)
1949	423,049	(11,536)
1950	447,786	(105,013)
1951	566,898	45,751
1952	553,182	(48,925)
1953	1,043,398	(111,089)
1954	833,612	(133,587)
1955	1,097,944	140,247
1956	1,656,048	365,245
1957 - 9 months ended May 31	1,644,896	
1957 - 5 months ended May 31		83,681

Note: Figures in brackets are losses.

Source: Exhibit H-42.

Net profits of The Province and The Sun in the same period are shown in Table 10.

Table 10

Net Profits and (Losses) of
The Province and The Sun,
1945-56

	The Sun Year Ended <u>August 31</u>	The Province Year Ended <u>December 31</u>
1945	\$ 100,458.28	\$ 259,323.51
1946	148,795.37	12,765.14
1947	94,711.36	(26,574.66)
1948	176,496.49	(143,401.59)
1949	297,135.18	(7,746.32)
1950	353,594.04	(105,012.52)
1951	299,880.41 ⁽¹⁾	20,742.30
1952	260,122.02	(22,505.46)
1953	506,234.71	(56,655.23)
1954	430,620.10	(68,129.25)
1955	598,939.00	74,331.10
1956	950,407.00	191,459.99

(1) Does not include \$118,218.80 profit on sale of fixed assets.

Note: Figures in brackets are losses.

Sources: Annual Reports of Sun Publishing Company Limited, and financial statements supplied to the Director by The Southam Company Limited.

3. Efforts Made by The Province to
Improve Position

Efforts of The Province to improve its position in the face of the progress of The Sun took three main forms. These were expensive promotional activity, special advertising rates and greater news content of the paper.

Mr. A.W. Moscarella, who became publisher of The Province in 1951, gave the following evidence in regard to promotional activities by The Province which were matched by The Sun:

"A. The first discussion I had with Mr. Cromie must have been at least I would say about around 1953 or 1954. At that time we were both engaged in a very very expensive promotional activity, and each of us was cancelling out what the other fellow was trying to do.

Q. When you say you were both engaged in expensive promotional activities what do you mean?

A. We were at one another's throats all day long, if that makes it easier to understand.

Q. Just explain that for the record?

BY THE CHAIRMAN:

Q. What kind of promotion?

A. We were doing all kinds of promotion, putting on contests, giving away premiums, spending \$50,000 on reader contests, and things of that kind which we would initiate, and the other fellow would sit back and come back with something a little better and bigger than we were doing. It was just one vicious circle."

(Evidence, pp. 110-11)

The scale on which such promotional activities were carried on by The Province is indicated by the amounts expended for such purposes which are shown in Table II for the years 1945 to 1956.

Table 11

Promotion Expenses, Circulation and General,
The Province, Years Ended
December 31, 1945-56

(in thousands of dollars)

<u>Year</u>	<u>Amount</u>
1945	\$ 65
1946	62
1947	240
1948	238
1949	229
1950	254
1951	195
1952	282
1953	501
1954	422
1955	367
1956	427

Source: Exhibit H-13.

Mr. Balfour gave the following evidence on promotional activities of The Province:

- "Q. Mr. Balfour, I notice that promotion expenses of the Province in 1945 were \$65,000; in 1946 they were \$62,000 and then in 1947 there was a sharp increase to \$240,000. Why were these expenses increased so sharply?
- A. In 1945 the Province was operating in the lead position and was quite able to hold that position against all the efforts of the Sun and that is probably a reasonable expenditure at that time. In 1946 the Province's whole effort was devoted to resuming publication and it was not until 1947 it was in any position to try and attempt to recover lost ground. From then on it made very strenuous efforts to recover lost ground.
- Q. And were these promotion expenses increased for that purpose?
- A. Yes.

- Q. You will also note there is a substantial change again in 1953 from 1952, the 1952 promotion expenses \$282,000 and in 1953 promotion expenses \$501,000. Why was this done?
- A. Mr. Moscarella came to Vancouver in 1951 and by 1953 he had decided that the only possible chance of regaining circulation was by a massive promotional expenditure of all kinds.
- Q. And did that additional promotional expenditure prove to be productive? You might refer to exhibit H-12.
- A. As you can see the figure increased from 105,000 in 1952 to 121,000 in 1953; 129,500 in 1954, so that there was some improvement and the Province's proportion of the total circulation increased from 36.9% to 40.1% during the period.
- Q. Did you find that the Sun tried to compete with you in promotional activities?
- A. They certainly did.
- Q. In your opinion did they match you?
- A. They did, at least matched us, often bettered us.

THE CHAIRMAN:

- Q. Is that due to the amount of money rather than quality?
- A. Yes, sir, thank you for that; if we offered a \$5,000 contest the Sun offered a \$10,000 contest."

(Hearing, pp. 1152-54)

Mr. George G. Richardson, a partner of the accounting firm of Clarkson, Gordon and Company, who was called as an expert witness on behalf of The Southam Company Limited and who supervised the preparation of Exhibit H-13, was asked about promotion expenses by The Sun:

"MR. MacINTOSH:

- Q. Now, Mr. Richardson, did you make any attempt to compare the promotion expenses of the Sun with those of the Province?

- A. Yes, it was difficult to make exact comparisons. The classification of expenses in the Sun was somewhat different from classification in the Province.
- Q. But were you able to come to any conclusions?
- A. Yes, as far as I could make comparisons, the indications were that the Sun's promotional expenses in 1954 altogether were about the same dollar level as the Province, and in 1956 the Province was spending more on promotion than the Sun, particularly on radio advertising and contests and premiums to new subscribers.
- Q. Yes.
- A. And, of course, with an expenditure roughly equal, the cost per thousand of circulation to the Province was about fifty per cent greater than for the Sun."

(Hearing, pp. 1341-42)

Mr. Richardson had also prepared a comparison of promotion expenses of The Province with five other Southam papers which is shown in Table 12.

Table 12

Comparison of Promotion Expenses of Six
Largest Southam Newspapers,
1953-56

	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	Average Promotion Expenses per 1,000 of Circu- lation <u>1953-56</u>
Vancouver Province -					
Total promotion expenses	\$501,439	\$421,898	\$367,105	\$427,429	
Expenses per 1,000 of circulation	4.03	3.23	3.04	3.55	\$3.46
Ottawa Citizen -					
Total promotion expenses	89,246	127,599	69,515	73,454	
Expenses per 1,000 of circulation	1.52	2.23	1.22	1.29	1.56
Winnipeg Tribune					
Total promotion expenses	101,633	100,554	107,566	109,299	
Expenses per 1,000 of circulation	1.48	1.42	1.49	1.51	1.47
Hamilton Spectator -					
Total promotion expenses	23,129	42,217	73,592	90,808	
Expenses per 1,000 of circulation	0.27	0.48	0.82	0.96	0.63
Edmonton Journal -					
Total promotion expenses	21,351	20,084	33,816	36,190	
Expenses per 1,000 of circulation	0.24	0.22	0.36	0.37	0.30
Calgary Herald -					
Total promotion expenses	20,386	35,350	38,013	52,126	
Expenses per 1,000 of circulation	0.53	0.58	0.63	0.85	0.65

Source Exhibit H-36.

It is not possible, of course, to say what the situation of The Province would have been if promotional activities on the scale indicated above had not been carried on during the years 1947 to 1956. The circulation figures given in Table 5 show that The Province's position relative to that of The Sun declined from 1947 to 1951. There was some recovery in 1952 and this was extended in 1953 and 1954. In March, 1955 the price of newspapers was increased in Vancouver and this appears to have had a more serious effect on the circulation of The Province than that of The Sun as The Province's average circulation declined in 1955 while that of The Sun was higher than the average for 1954.

In 1956, The Province took the step of reducing advertising rates to department stores in Vancouver in an effort to maintain its relative position as a medium for such advertising. Mr. Balfour gave the following evidence in regard to this action:

"MR. MacINTOSH:

Q. Mr. Balfour, why was this statement prepared in May of 1956?

A. Because the T. Eaton Company had indicated to the Province that it no longer intended to advertise, to place such advertising in the Province as it was placing in the Sun.

Q. Then in the year 1955, if you look at the exhibits, it hadn't placed as much in the Province as in the Sun?

A. Yes.

Q. Does this mean it was going to place still less?

A. Still less.

Q. And I also note that Simpsons-Sears hadn't placed nearly as much advertising in the Province as the Sun, did Simpsons-Sears have any policy in this respect?

A. Simpsons-Sears, or at least Sears Division of Simpsons-Sears has a policy of concentrating its advertising in the larger paper in any community.

Q. Now, did you have any communication from the other department stores in Vancouver of a change of policy on their part?

A. Yes.

- Q. And why did you consider this important?
- A. For two reasons, one as I have said, department store advertising is important as a circulation holder and secondly, the other advertisers tend to watch what the department stores are doing and to follow their example. If more advertising is being placed in the Sun than the Province the tendency of other retail advertisers who may have been up to that time placing equal copy in the two newspapers would be to reduce or cancel their advertising in the Province and concentrate on the Sun.
- Q. Did you take any steps to meet this situation?
- A. Yes.
- Q. What were those steps?
- A. Mr. Moscarella, who was publisher of the Province, wrote to me and told me he proposed to offer a rate, a reduction in rate to the T. Eaton Company in order to try and obtain approximately equal copy.
- Q. And did you approve of this proposal by Mr. Moscarella?
- A. Yes, we discussed it to see if there were any other alternatives and I had no other ideas, therefore he put it into effect.
- Q. Was any similar offer made to the other department stores?
- A. Yes.
- Q. Now, how did this rate compare with the one that had been obtained formerly by the Province?
- A. Averaged out it amounted to about a 20% reduction in rate.
- Q. And was this a volume rate, was there a volume discount included in the rate?
- A. Yes, the rate, if my recollection is correct, had been twenty cents a line and the new contract called for so many hundred lines at 20 cents and, added in excess of that would be eight-cents a line so that it averaged out for the expected use at 16 cents.

- Q. Now, the eight-cent a line rate for the additional advertising, how did that compare to the cost on that advertising?
- A. That covered, as nearly as I can estimate, as nearly as the Province could estimate, the cost of newsprint, and the actual cost of setting that advertisement.
- Q. Was that rate attractive?
- A. It was not.
- Q. Do you know how that rate compared with volume discounts given to, for example, for the Eaton Company by other papers in the Southam group?
- A. That was lower than our other newspapers.
- Q. How did it compare with the rate in Hamilton, for example?
- A. Hamilton, I think, had a rate of 16 cents a line, a flat rate of 16 cents a line for the T. Eaton Company with a circulation substantially similar to the Province, the circulation of less than 100,000.
- Q. So what would that do when you made the adjustment for circulation?
- A. That would mean the milline rate for the Province was lower than it was in Hamilton.
- Q. Did you make any comparison with the rate for the Free Press, Winnipeg?
- A. It was lower than the rate being charged by Winnipeg Free Press, it was 18 cents at that time.
- Q. By this you mean the effective rate, taking into consideration volume discount, do you?
- A. Yes."

(Hearing, pp. 1163-66)

The statement referred to in the foregoing quotation from the evidence of Mr. Balfour appears in this report as Table 13.

Table 13

Department Store Linage, The Province
and The Sun, 1953 to May 8, 1956

	<u>Woodward's</u>	<u>Hudson's Bay</u>	<u>Eaton's</u>	<u>Simpsons-Sears</u>
1953 Province	837,982	902,113	913,667	-
Sun	830,853	876,907	925,552	-
1954 Province	964,885	925,175	1,095,729	439,785) nine
Sun	958,092	949,950	1,128,056	560,120) months
) only
1955 Province	1,270,332	1,035,364	1,206,228	507,468
Sun	1,275,797	1,111,798	1,502,750	657,199
1956) Province	430,170	368,378	419,965	118,384
to) Sun	444,595	394,701	520,993	214,170
May 8)				

Source: Exhibit H-16.

The advance of The Sun to the position of leading newspaper in Vancouver and the maintenance of that position since 1947 has enabled The Sun to secure higher advertising rates than those which could be quoted by The Province. This was the case not only for the rate per 1,000 lines for retail advertising but also with respect to the scale of discount for quantity advertising. The retail advertising rates for The Province and The Sun for the years 1945 to 1957 are shown in Table 14.

Table 14

Comparison of Retail Advertising Rates,
The Province and The Sun, Including
Percentage Discounts for Volume Use,
1945-57

	The Sun			The Province		
	Rate per line for 1,000 lines	Rate per line per 100,000 lines	% discount for using 100,000 lines	Rate per line for 1,000 lines	Rate per line per 100,000 lines	% discount for using 100,000 lines
1945	.19	.11	42.1%	.19	.14	26.3%
1946	.19	.1357	28.6	.19	.14	26.3
1947	.19	.1357	28.6	.19	.14	26.3
1948	.253	.173	31.6	.23	.14	39.1
1949	.3107	.19	38.6	.23	.15	34.8
1950	.3429	.227	33.8	.25	.17	32.0
1951	.40	.27	32.5	.25	.17	32.0
1952	.4536	.31	32.1	.27	.19	29.6
1953	.4536	.31	32.1	.33	.19	42.4
1954	.4625	.32	31.8	.34	.20	41.2
1955	.4725	.33	30.2	.34	.20	41.2
1956	.4725	.33	30.2	.36	.22	38.9
1957	.49	.35	28.6	.36	.23	36.1

Note: When the rates were changed during the year the rate in effect at the end of the year is shown.

Source: Exhibit H-37.

During the years when The Province was making the largest expenditures on promotional activities efforts appear to have been made to increase the news and editorial content of the paper. Table 15 compares the average number of columns of news in The Province and The Sun for the years 1946 to 1956 and shows the proportion of paid advertising columns in relation to the total content of the paper. The term "news" in this table includes everything except paid advertising and promotion of the paper. It will be noted that in the years 1953 and 1954 the news content of The Province formed more than 50 per cent of the total, whereas in the case of The Sun, in the same years, news content formed about 40 per cent. It must be borne in mind that for some years The Sun had been the preferred medium by advertisers. It will also be noted that throughout the period covered by Table 15 The Province carried more actual columns of news than The Sun and that from 1951 onwards the difference was quite marked.

Table 15

Comparison of Average Number of Columns of News, and Columns of
Paid Advertising as Percentage of Total Columns,
The Province and The Sun,
1946-56

Year Ended December 31 -	The Province			The Sun		
	Average Columns News		Paid Advertising Columns as a % of total	Average Columns News		Paid Advertising Columns as a % of total
	Mon.-Fri.	Saturday		Mon.-Fri.	Saturday	
1946	102.02		52.66%	94.48		52.24%
1947	129.21		55.28	98.99		59.76
1948	124.95		57.04	111.96		63.35
1949	129.26		56.72	120.02		63.21
1950	137.45		54.27	134.31		59.12
1951	139.53		53.05	122.52		60.54
1952	146.20		51.00	119.37		60.58
1953	168.87		49.05	135.40		59.11
1954	175.79		49.37	141.45		60.02
1955	138.39	380.46	55.99	119.67	313.25	65.21
1956	130.27	347.90	58.38	118.94	283.79	67.50
						49.53%
						52.07

Source: Exhibit H-39.

The Sun has the Weekend Magazine as a Saturday supplement whereas The Province has had to prepare its own weekend supplement. Table 15 makes a comparison of Saturday editions only for the years 1955 and 1956, although both the Weekend Magazine and The Province's own supplement were published in earlier years. Mr. Richardson, under whose direction Exhibit H-39 was prepared, gave the following testimony in regard to the Saturday figures:

"THE WITNESS:

The Saturday figures are shown here and it is my understanding that under the Province that would include their supplement. You see, the figure jumps from 138 columns for a normal day up to 380 on Saturday. It would be my understanding that that would be the same in the case of the Sun, that it would include the Weekend supplement."

(Hearing, p. 1370)

Mr. Richardson also prepared a comparison of the editorial costs of The Province and five other Southam papers, which is shown in Table 16.

Table 16

Comparison of Editorial Costs of the Six Largest Southern
Newspapers for Selected Years, 1948, 1951, 1953, 1954
1955, 1956

	<u>1948</u>	<u>1951</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>Average 1953-56</u>
Vancouver Province							
Total editorial costs	\$574,860	\$613,030	\$666,349	\$701,313	\$771,071	\$869,902	
Costs per column of editorial copy	\$15.04	\$15.48	\$13.02	\$13.12	\$14.11	\$17.08	\$14.33
Ottawa Citizen							
Total editorial costs	315,502	431,082	488,752	473,190	499,177	536,921	
Costs per column of editorial copy	8.52	10.14	10.97	11.66	11.70	12.51	11.71
Winnipeg Tribune							
Total editorial costs	294,077	350,338	360,813	372,177	366,024	394,484	
Costs per column of editorial copy	9.25	10.13	9.39	9.28	9.84	10.37	9.72
Hamilton Spectator							
Total editorial costs	259,842	353,995	423,067	476,767	541,513	582,778	
Costs per column of editorial copy	7.09	8.88	10.23	11.19	11.57	11.86	11.21
Edmonton Journal							
Total editorial costs	203,177	251,540	295,075	293,721	304,226	346,236	
Costs per column of editorial copy	6.99	8.82	8.00	7.85	7.89	8.59	8.08
Calgary Herald							
Total editorial costs	163,107	219,650	267,470	283,892	328,222	386,466	
Costs per column of editorial copy	6.95	8.07	8.88	8.94	9.38	9.31	9.13

Source: Exhibit H-38.

The 1956 circulations of these six Southam papers are shown in Table 17:

Table 17

Circulations of Southam Papers
for the Year 1956

<u>City</u>	<u>Newspaper</u>	<u>Circulation - Period ended September 30, 1956</u>
Vancouver	Province	120,414
Winnipeg	Tribune	71,491
Edmonton	Journal	95,242
Hamilton	Spectator	93,837
Ottawa	Citizen	56,111
Calgary	Herald	60,983

Source: Editor & Publisher International Year Book,
1957.

After pointing out that the editorial costs of The Province were considerably higher than any of the other large Southam papers, Mr. Richardson testified:

"A. . . .

The comparison made with the Sun was perhaps less precise because of the lack of a uniform system of accounts but in 1956 the Sun spent \$1,107,000 classified as editorial costs as compared with \$870,000 in that year in the Province, and having regard to the fact that the Sun's circulation at that [time] was more than 50% greater than the Province, the Sun was at a distinct cost advantage in this matter of editorial costs.

Q. But the difference might not have been so great on a per column basis, Mr. Richardson?

A. Well, on a per column basis there was an additional factor came in and that is that the Vancouver Province

consistently ran a good deal more editorial matter than the Sun . . ."

(Hearing, pp. 1367-68)

The financial position of The Province was affected by the fact that labour costs in Vancouver were relatively high. While The Sun had to meet the same conditions it was in a much better position to do so because of its much larger revenues. The situation of The Province compared with other large Southam papers is shown by Table 18:

Table 18

Comparison between the larger Southam Papers
in Number of Minutes Requires to Compose One
Column and Composing Costs per Column,
1948, 1951, 1953, 1954, 1955, 1956

	<u>Number of Minutes Required to Compose One Column</u>					
	<u>1948</u>	<u>1951</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Vancouver Province	103	123	112	119	117	118
Ottawa Citizen	100	99	93	88	87	81
Winnipeg Tribune	126	114	91	99	95	102
Hamilton Spectator	109	110	106	104	93	97
Edmonton Journal	117	101	94	97	92	90
Calgary Herald	89	84	82	92	90	89
	<u>Composing Costs per Column</u>					
Vancouver Province	\$2.81	\$4.44	\$4.92	\$5.24	\$5.35	\$5.69
Ottawa Citizen	2.62	3.53	3.82	3.96	4.02	3.96
Winnipeg Tribune	2.42	2.40	2.59	2.83	2.92	3.09
Hamilton Spectator	2.64	3.49	3.76	4.22	4.29	4.42
Edmonton Journal	2.54	2.66	2.89	3.26	3.32	3.51
Calgary Herald	2.11	2.33	2.62	2.88	3.23	3.39

Source: Exhibit H-41.

The general position of The Province up to 1956 was described by Mr. Moscarella as follows:

"A. I joined the company here in Vancouver in 1951, and since that time I have been butting my head against a stone wall. We make a few dollars one year and lose a few dollars the next year, and so it went on . . ."

(Evidence, p. 122)

CHAPTER IV

PUBLISHING FACILITIES OF THE SUN AND THE PROVINCE

1. The Sun Adds to Equipment and Plant

The circulation of The Province suffered a marked decline in 1947 from the level of preceding years and did not get back to the 1945 level until 1953. During this period the circulation of The Sun increased rapidly, which led its publishers to make successive additions to its equipment and plant. The growth in the earnings of Sun Publishing Company Limited provided an advantageous financial basis for the increased expenditures which the additions involved.

In 1946 The Sun erected a new commercial printing building which made available three floors in The Sun Building "for expansion of the newspaper and affiliated businesses" according to the annual report for 1947. The annual report for 1949 made the following reference to further additions to equipment and plant:

"In addition to plant and machinery purchased in 1947 and 1948, the Directors have for some time recognized the need for replacement of the Company's newspaper printing plant with larger and faster presses. An expansion program of this nature has not heretofore been possible due to the size of the outlay involved and increasing manufacturing costs for this type of machinery.

In May of this year, however, the Company was fortunate in obtaining two presses of adequate size and in excellent condition from the plant of the Indianapolis News at Indianapolis, Indiana, due to the merger of that paper with the Indianapolis Star.

Plans are now progressing for the erection of a building near the corner of Georgia and Beatty Streets to house these presses, and it is anticipated that by the summer of 1950 THE VANCOUVER SUN will be printed in this new plant."

(Return of Information of J. J.
Rooney, Secretary, Sun Publishing
Company Limited dated August 2,
1957)

The completion of these additions was reported in the annual report for 1951 as follows:

"The new Press Building under construction at 720 Beatty Street and the 14-unit Scott High Speed presses being installed at the time of our last report were completed during the fall of 1950 and put in operation on December 28th. This plant has from its initial run been a complete success. It provides us with a capacity of 56 pages in black and white, and a wide range of availability of color printing, and a production speed in excess of 60,000 papers per hour.

The building was located and designed so that as need develops for further expansion it may be enlarged for additional presses and eventually for the Company's entire newspaper operations.

Satisfactory disposition was made of the larger of our two old newspaper presses, the other being retained for standby use."

(Return of Information of J. J.
Rooney, Secretary, Sun Publishing
Company Limited dated August 2,
1957)

In the annual report for 1952 it was stated that \$2,800,000 had been spent on plant and equipment by The Sun during the preceding 10 years and that it was considered that the facilities would prove adequate for the next two or three years.

This opinion had to be revised within the year, and further expenditures were made in 1953 and 1954 for improvements in equipment.

The annual report for 1955 refers to the purchase of further equipment.

"Expenditures for plant and equipment during the year totalled \$405,908. Approximately half of this amount has gone into typesetting and press equipment for the newspaper to give greater speed of production and improved facilities for color-printing. The color processes are now substantially perfected and full color reproduction is available to our advertisers. Also we now present news pictures of current interest in full natural color."

(Return of Information of J. J.
Rooney, Secretary, Sun Publishing
Company Limited dated August 2,
1957)

According to the annual report for 1956 the anticipated growth of business was such as to require expenditures of about \$2,000,000 over the next year and a half. Additional information about the expansion being planned is given in the return of information as follows:

"During the year 1950 the Company erected a building designated as the 'Mechanical Building' at 720 Beatty Street, Vancouver, B.C., to house two new presses and mechanical equipment for the stereo and mailing rooms. The building at this time was a one-storey structure and the intention was ultimately to erect a further six or seven floors to house the entire operations of The Vancouver Sun, presently located at 500 Beatty Street, Vancouver, B.C.

Looking forward to this major expansion, Mr. Morton L. Pereira, Chicago, Illinois, architect in charge of planning and erection of the Mechanical Building, was commissioned to prepare plans, drawings, etc. for the completed building. This work, including the necessary engineering surveys, was carried on during the years to 1956. An approximate price of four to five million dollars was considered to be the probable cost of completion of the building.

In the early part of 1956 mechanical equipment was being utilized to full capacity and it became apparent that an intermediate step in the expansion programme would have to be taken immediately. This comprised an extension to the existing building adequate to house one more press, and the purchase of a nine-unit Goss Headliner press and ancillary equipment.

This immediate expansion of the Company's printing facilities called for expenditures of approximately \$1,750,000 between September, 1956, and February, 1958. This figure includes an amount of approximately \$450,000 for an extension to the Mechanical Building and the balance for machinery. New press equipment ordered in 1956 will be delivered in August of this year.

The survey of the Company's requirements made in 1956 indicated the need for this immediate programme of \$1,750,000 and the disbursing of four to five million dollars within five years for the final completion of the building.

Virtually all the purchase orders for \$1,750,000 were placed prior to December 31st, 1956.

The Company estimated that additional mechanical equipment, furniture and fixtures, moving expenses, increased labour and material costs in the building trades, would raise its total capital expenditures to eight or nine million dollars."

2. Equipment and Plant of The Province

As The Province is a division of The Southam Company Limited expenditures for plant and equipment have been matters for determination by The Southam Company Limited. The relationship between the publishers of the individual Southam papers and the company was described in evidence by Mr. Balfour as follows:

- "Q. Now, what particular responsibility do you have for the editorial policy for the Southam papers?
- A. I am not responsible for the editorial policy of the Southam newspapers; each individual publisher is responsible for the editorial policy of the paper which he heads.
- Q. Do you or any other member of management interfere with the publisher in the direction, in the carrying out of that responsibility?
- A. No, sir.
- Q. Why is that?
- A. That is just the policy of our company, it is well known in our practice since the inception of the company, our principle is to appoint a publisher, pick the man and then hold him responsible for his operation and give him as wide authority as we possibly can.
- Q. And is he free to disregard the wishes of the company as to the editorial policy which the company might favour?
- A. The company has no editorial policy and I think a study of our individual newspapers would indicate that.

THE CHAIRMAN:

- Q. You mean no political policy?

MR. MacINTOSH:

- Q. Is any different responsibility exercised by the managing

director, or president over the operation of other departments of the Southam newspapers that is distinct from the editorial department?

A. Advisory and supervisory; we ask our publishers to consult us before they institute a change in advertising rates, change in circulation rates or change in the salary levels of the senior department heads.

Q. Yes.

A. Or a capital expenditure in excess of \$3,000."

(Hearing, pp. 1128-29)

The situation at the end of the war with respect to equipment and plants of the Southam divisions is described in the company's annual report for 1945 as follows:

"Another respect in which the Southam Company does not differ from many others is in its requirements for extensive and up-to-date mechanical equipment. We were fortunate in that the Company's policy of keeping its plants in first rate shape permitted us to enter the war period with machinery generally capable of carrying on for an extended period without major replacement or repairs. Even to-day our equipment is adequate, but we are engaged on an extensive survey with a view to determining probable future needs and appraising all recent developments in the printing machinery field, so that as and when more modern equipment becomes available, we will be in a position to make all necessary plant replacements and enlargements."

(Return of Information of B.H.
Shelley, Secretary, The Southam
Company Limited dated July 23,
1957)

According to the annual report for 1952, The Southam Company Limited had spent just under six million dollars on plant rehabilitation and expansion since the end of the war. This total included additions to its general printing plants as well as to several of the newspapers. For the latter the chief items mentioned were new Hoe presses, each representing an investment of over \$500,000, which had been installed in The Ottawa Citizen, The Hamilton Spectator and The Edmonton Journal. The new press for The Ottawa Citizen is described as follows:

"A new Hoe, six-unit newspaper press is installed in this modern plant. This huge machine, the latest in its field, is capable of turning out 45,000 48-page newspapers per hour, folded, ready for delivery."

(Return of Information of B.H.
Shelley, Secretary, The Southam
Company Limited dated July 23, 1957)

A new building for production and delivery facilities had also been built for The Ottawa Citizen and the original building of The Edmonton Journal had been more than doubled in size.

Although the annual report of The Southam Company Limited for 1954 stated that "Our postwar replacement of plant has been largely completed..." the annual report for 1956 indicated that further large expenditures would be required for expansion. The major items for 1956 are given in the following extract:

"Keeping up with technological progress in the industry and with the growth of our communities has required the expenditure of 12.3 million dollars for production facilities during the past 10 years - 3.1 million dollars of it in 1956. Major expenditures in 1956, outlined in more detail on pages 27 and 28, included:

New Mechanical building, press expansion, and colour printing facilities for The Edmonton Journal	\$725,000
---	-----------

New mechanical building, 7-unit press, and colour printing facilities for The Winnipeg Tribune	\$978,000
--	-----------

Press expansion and colour printing facilities for The Hamilton Spectator	\$342,000
--	-----------

These programmes will continue, and further expenditures will be made, in 1957.

Few of the larger Canadian newspapers are as well equipped as ours to take advantage of the growing development and interest in run-of-paper colour. It is our aim to keep up with or ahead of the parade in technical development."

(Return of Information of B.H.
Shelley, Secretary, The Southam
Company Limited dated July 23, 1957)

The Province continued to operate with the presses which had been installed about 1928 (Hearing, p. 1185). The only specific reference to changes in the facilities of The Province is the following in the annual report of The Southam Company Limited for 1952:

"A series of useful improvements has been taking place in the plant of The Vancouver Province. Delivery and dispatch has been speeded up through completely revised loading docks, and enlarged loading areas. Additional space has been made available for easier receiving and handling of paper rolls.

Revisions in office arrangements have been carried out; a modern, well-equipped newspaper photo-engraving plant has been located within the building, and numerous other advances have taken place in various sections of the plant."

(Return of Information of B.H.
Shelley, Secretary, The Southam
Company Limited dated July 23,
1957)

The following review of additions to plants and equipment of various Southam papers was given by Mr. Balfour at the hearing before the Commission:

- "Q. Where have you built new plants in connection with your newspaper operations within recent years?
- A. Added to the plant in Ottawa; we have added to the plant in Hamilton; we have added to the plant in Winnipeg; we have added to the plant in Edmonton. We have bought an additional building in Medicine Hat. Have I missed out any? North Bay was a new building when we bought the paper.
- Q. During the same period did you make any substantial additions to the plant of The Province newspaper?
- A. No.
- Q. Where have you installed colour presses or adapted existing presses to the use of colour in connection with your publishing operations?
- A. We put in new presses at Hamilton, Ottawa, North Bay, Winnipeg, and Edmonton, and have adapted an older press in Medicine Hat.
- Q. And during the same period did you put in any new presses in Vancouver?

A. No.

Q. And did you make any attempt to adapt the presses in Vancouver for colour?

A. I think I explained yesterday that we had the Hole [sic] people, who are the press manufacturers, up here and tried to find a way of modifying our presses so that we could continue to use them and successfully compete with the Sun, and were not able to do so. We were able to print colour on them to a limited and not altogether satisfactory extent."

(Hearing, p. 1258)

Earlier in his evidence Mr. Balfour had said that The Calgary Herald is equipped with the same kind of press as that installed at The Province and that The Southam Company Limited is preparing to construct a new plant at Calgary and to acquire new presses for the Calgary Herald. (Hearing, p. 1179)

3. Consideration of New Plant and Equipment
for The Province

The question of putting The Province in a more favourable competitive position in relation to The Sun from the viewpoint of plant and equipment was given consideration by the publisher of The Province and by the board of directors of The Southam Company Limited as the expansion and modernization of The Sun's production facilities progressed in the post-war period. Mr. Moscarella gave the following evidence:

"Q. Did you have certain plans for the expansion of The Province before this consolidation with The Vancouver Sun went through?

A. Yes sir. We discussed with our Board of Directors quite sometime previously the idea that The Province had more or less outgrown its present building and that it required a tremendous expenditure of money to put up a new plant. As a start we went ahead and decided to buy a plot of land on which eventually the future Province building could be built, if we were going to build it there.

Q. Did the circulation of The Province warrant expansion?

- A. If we were to stay in the evening field and remain competitive we had to have an expansion.
- Q. Do you think you could have stayed in the evening field?
- A. We could have stayed in the evening field but we wouldn't have made any money.
- Q. Why do you say that?
- A. Because the record shows ever since the strike in 1945 there was only one year in which we might say we had a reasonably good year, the rest of the years were marginal, and the people investing their money require a reasonable return on their investment.
- Q. Yes, but I was asking you what your estimate of the new building might be?
- A. The figures varied, but the minimum we came up with was around four and one half million dollars, because the press by itself involves an expenditure of pretty close to a million dollars.
- Q. Why would that expenditure be necessary?
- A. The press?
- Q. Yes?
- A. To give the same facilities as the competitor is giving.
- Q. Do you think you could have stayed in the evening field and competed successfully with the Sun?
- A. No, sir, I do not.
- Q. Why do you say that?
- A. I joined the company here in Vancouver in 1951, and since that time I have been butting my head against a stone wall. We make a few dollars one year and lose a few dollars the next year, and so it went on. In 1946 [1956] was our best year, and when we made up our budget in 1947 [1957] the operating profit was substantially less than half of what we showed the previous year, due to the very heavy wage increase cost and other expense, which was accruing to the publication of a newspaper.

BY THE CHAIRMAN:

- Q. Mr. Moscarella, with regard to the expansion plans you had in mind, you spoke about the expenditure of something like four and a half million dollars, was it your opinion that by so doing and thereby improving the productivity of the plant, that you would produce economies and develop increased circulation; both of those things would result from that expansion?
- A. Mr. Commissioner, we would have had some economies but nowhere near what could supply us a profit statement.
- Q. Your plans for expansion were with a view to improving your position?
- A. Yes, our plans, if we were to remain competitive in this city we had to have the same facilities as the opposition had. For instance, we would have had to have a press which would print colour on the same run.
- Q. And the only way in which you felt you could compete successfully was by that expansion?
- A. Yes.

BY MR. MacLEOD:

- Q. Did you think you could make money if you made that investment?
- A. No, sir, I didn't think we could have made money on the basis that an investment of the size we had to make would warrant."

(Evidence, pp. 120-23)

Earlier in his evidence Mr. Moscarella said:

- "Q. What plans did you have for expansion of The Province prior to joining the Pacific Press?
- A. We had many plans under consideration. First thing we did was to buy a piece of property on Burrard Street which cost us a little better than half a million dollars, with the idea of putting up an up-to-date newspaper plant. We found our present facilities entirely inadequate and we could not compete with The Sun economically on any type of work they were producing.

- Q. Why couldn't you compete with The Sun?
- A. Because they had facilities we did not have. They had a brand new up-to-date press, which would give them full color facilities. We had no color facilities unless with great difficulty and had to print our supplements the night before, and stuff them into the following day's paper, and that became a very expensive undertaking.

Q. Will you just continue, Mr. Moscarella?

- A. It meant that our plant, which is pretty obsolete from the top to the bottom, almost had to be refurbished. We had purchased the property some two years ago with the idea of building on this site.

BY MR. MacINTOSH:

Q. That means 1955?

- A. 1955 or 1956.

BY MR. MacLEOD:

Q. Why did you let your plant go down so far?

- A. Well, actually the plant was not in what you might call a disreputable state, but it could not compete with the new equipment the opposition put in. For instance, the opposition could print 60,000 papers an hour against our being able to print 30,000. They were able to give full color facilities, and we were not able to give full color facilities.

Q. What would be the maximum that you could give?

- A. In the way of copies per hour?

Q. Yes?

- A. I would say about 32,000.

Q. Would that be adequate?

- A. That would not be with color, we could not get color for that.

Q. You are speaking about color. What significance has that?

- A. As I tried to explain, to publish color on our presses, to to give us a second or third color, we would have to use so many units of the press to give that color, and our press did not have a sufficient number of units. Consequently if we gave any color at all we would have to run a supplement the night before, run a separate crew in overtime, have it ready in the mail room the following morning, and the next day our carriers would stuff that in the regular paper. That would be very much more expensive than The Sun was able to give; they were able to do it on the one run.

BY MR. MacINTOSH:

- Q. Just for the record, why did you need color?

- A. Because color is now being recognized as the biggest selling force that the advertisers have got. Every newspaper in Canada is rendering some type of color service."

(Evidence, pp. 113-15)

Mr. Balfour gave the following evidence in the inquiry in regard to consideration of plans for the expansion of The Province:

- "Q. Now prior to the Southam Company entering into the arrangement with the Sun Publishing Company Limited and the Pacific Press, had the Southam Company Limited made any plans for expansion in Vancouver?
- A. We had studied the matter and we had purchased a property on Burrard Street.
- Q. Why was it necessary to make an expansion in the plant that you then had in Vancouver?
- A. It was because the Sun, which was the leading newspaper, had gone actively into the use of colour--advertising and editorial colour--which were very strong competitive factors in their favour, and in order to match them we would have had to replace our existing plant, which was a great many years old.
- Q. Was your plant obsolete, or going obsolescent?
- A. It was obsolescent, yes. It was not adequate. We could not match the equipment they then had, and we knew, because they had announced it, that they were going still further ahead with new developments.

- Q. Had your plant in Vancouver been allowed to run down, or anything like that?
- A. No sir.
- Q. Was it adequate for the publishing of black and white newspapers?
- A. It was adequate for publishing black and white.
- Q. And would it have remained so for some years?
- A. At the Province's present size, yes.
- Q. How much greater capacity could the plant have handled than it was handling?
- A. I am not in a position to answer that. I would think that it would have handled it up to somewhere around 150,000 - not very much more - without having to add press capacity.
- Q. But as I understand it, the deciding factor was the necessity of getting colour presses and other things that you did not have?
- A. We either had to modernize or go out of business, because we would be put out of business.
- Q. Was it practicable to carry out that modernization in the plant that the Province was then operating in?
- A. Unfortunately, no.
- Q. It would have required a new building?
- A. Yes.
- Q. Did you have any estimate of the total cost of what such a programme would be?
- A. Yes.
- Q. What was the estimate that you made?
- A. At that time - it was in 1956 - the estimate was approximately \$4,500,000.
- Q. How would that be broken down? What would the new building cost you?

- A. I can get those figures. I have not them in my head, but I think the land and building would have cost about \$3,500,000 and that, assuming that we could buy secondhand equipment, we could have kept the cost to \$4,500,000."

(Evidence, pp. 1010-12)

Further information as to the estimated costs for new plant and equipment for The Province was furnished in a letter of January 28, 1959 from the Secretary, The Southam Company Limited, to the Director, which contained the following:

"Further to my letter of December 23rd, 1958 in answer to your request of December 16th, 1958, we are now able to supply the details of the tentative expansion programme for The Province which was prepared prior to the formation of Pacific Press Limited.

The first estimate was submitted to this office in March 1956 by the then Publisher of The Province, A. W. Moscarella, It contained the following details:

Estimated cost of new building, approximately	\$2,500,000
Estimated cost of new presses, approximately	1,000,000
Estimated cost of new real estate, approximately	500,000
Total	<u>\$4,000,000</u>
Less the resale value of existing land, buildings and equipment	<u>800,000</u>
	<u><u>\$3,200,000</u></u>

At the time that this estimate was prepared, it was realized that the figures were rough but conservative approximations. In the case of the presses specifically, the estimate was based on the supposition that secondhand equipment could be purchased. Subsequent to the preparation of this estimate, enquiries were made in Canada and the United States to determine whether any suitable used machinery was available. In August of 1956, this search had been completed and no such machinery had been unearthed. The press estimate was, therefore, immediately raised to \$1,800,000 and this adjustment brought the total figure to the \$4,000,000 referred to in your correspondence. No further planning of this nature was done as the estimated cost made the project most unattractive in the light of the anticipated earnings of The Province.

As to the timing and urgency then attached to this proposed expansion by the Officers of this Company, the situation was as follows.

At the time of the original thinking, that is March, 1956, it was assumed that suitable additions to existing equipment could carry The Province for about three to five years. Approval was given in July 1956 for the purchase of the necessary real estate and approximately \$600,000 was then invested in what we have now come to call the 'Burrard Street property'. When it became apparent that our existing equipment could not be suitably and economically modified and that secondhand equipment was not available, the problem became more urgent. This urgency was emphasized by the increasing use being made of both editorial and advertising colour by our competitor and by its announced plans for expansion that would have required immediate action from The Province. Although no specific timetable was established, planning of new facilities would have had to be well underway by 1957, with construction commencing in the spring of 1958 for occupancy by the autumn of 1959.

It is perhaps worth noting that if we were to re-estimate the original plan at current prices, the \$4,000,000 mentioned above would now be completely inadequate. The press equipment originally considered at \$1,000,000 and later amended to \$1,800,000 would now cost approximately \$2,400,000. This is based on orders placed by Pacific Press for equipment to be delivered in 1959. It is doubtful if adequate building facilities could be provided for under \$3,000,000. The resale value of the original Province presses has turned out to be nil. It would seem, therefore, that between \$5,000,000 and \$5,500,000 would now be required to provide the facilities that \$4,000,000 was estimated for in 1956."

At the hearing before the Commission Mr. Balfour gave the following evidence as to the mechanical equipment of The Province:

- "Q. So you considered that the Province needed the new plant because of its position vis-à-vis the Sun in respect of colour printing. Had you any information in 1957 as to the plans of the Sun for expansion?
- A. Yes.
- Q. What was the nature of that information?
- A. The Sun had at that time announced it had ordered new press capacity, additional press capacity which would make our comparative position even more serious.
- Q. And this was a factor in your thinking at that time. Now, Mr. Balfour, Mr. Moscarella has given evidence in this inquiry that the present capacity of the Sun permitted it to

print roughly 60,000 copies an hour and the present capacity of the Province permitted it to print roughly 30,000 copies an hour?

A. Yes.

Q. Perhaps I should re-word that, he has said the press capacity was 60,000 for the Sun and 30,000 for the Province. Now did this enter into your thinking when calculating that a new plant was required for the Province?

A. Yes.

Q. Wasn't the plant of the Province capable of producing all the newspapers the Province was then selling?

A. Actually the capacity of the Province at 30,000 an hour was a theoretical thirty.

Q. What do you mean by that?

A. The full speed of the press was probably somewhat in excess of 30,000, it perhaps ran 32, 34,000, but it was not equipped with what was known as a flash paster, so that as a roll of newsprint ran down, the press had to be stopped and the roll had to be stopped and had to be slit and the end pasted to the next roll and the press started. The men got very expert at this sort of thing but it does reduce the capacity. I would imagine the Province capacity was reduced to something like 22,000 an hour.

Q. Now did the Sun have this equipment with the rather unusual name?

A. Yes.

Q. So the Sun capacity of 60,000 was closer to the fact.

A. Yes.

Q. What importance, if any, did this have on the competitive position of the Province?

A. It is essential in the competitive field that the edition of the newspaper reaches the news stands as quickly as does that of any other newspaper. One loses sales by every minute that the paper is not there. As the capacity of the press is taxed by growing circulation, the starting time of an edition has to be pushed farther and farther ahead so that the paper at a disadvantage is turning out a product with not as late news in it as the edition of its competitor.

THE CHAIRMAN:

And you can sometimes get the last race result?

A. That is right, sir.

MR. MacINTOSH:

Q. Now, Mr. Balfour, you have earlier given evidence that the cost of a new plant made this expenditure unattractive at this time. Why not postpone the expenditure for a number of years and see what would develop?

A. In our judgment we had a number of years seeing what would develop and we had had a number of years seeing colour had commenced to develop and we had seen it developing very rapidly. It was our judgment that if the Province didn't modify its production facilities, improve its production facilities, its position would deteriorate vis-à-vis the Sun and the result would be that those years from now we would be in a still worse competitive position."

(Hearing, pp. 1189-92)

"Q. Did the company ever obtain a detailed estimate of the costs of erecting these facilities in Vancouver?

A. No.

Q. That is one prepared by someone like Ferari who I understand are architects?

A. No, we didn't, Mr. MacIntosh, we used these figures which from our knowledge and experience were accurate enough to indicate to us that this was a terrific expenditure."

(Hearing, p. 1193)

Later in his evidence Mr. Balfour said:

"Q. Now, Mr. Balfour, did you recommend to Mr. Fisher or to the Board or to the Executive Committee of the Southam Company the erection of a new plant in Vancouver?

A. No.

Q. Why did you not make this recommendation?

A. Because I couldn't justify an expenditure of that money with the respective profit of the Province.

Q. Did you not anticipate that the Province would increase its circulation over the years?

A. I considered everything I think. Mr. MacIntosh, we discussed it many times and couldn't see the Province obtaining sufficient additional revenue even with some gross to match the increasing expense which we could foresee."

(Hearing, p. 1200)

CHAPTER V

PACIFIC PRESS LIMITED ESTABLISHED TO CONSOLIDATE OPERATIONS OF THE PROVINCE AND THE SUN

1. Replacement of The Herald by The Province as Vancouver's Morning Paper

As has already been described, the newspaper situation in Vancouver prior to the formation of Pacific Press Limited was that The Province and The Sun were competing as evening newspapers and The Herald occupied the morning field. The daily circulation of the latter was 31,550 in 1955, which was well below the level in 1948 and 1949 when circulation exceeded 40,000.

According to the evidence of Mr. Balfour agreement as to the publication of The Province and The Sun through Pacific Press Limited had been reached in principle between the Southam and Sun companies when The Southam Company Limited agreed to purchase the goodwill and certain franchises of The Herald from The Thomson Company Limited. The acquisitions so made were then transferred to Pacific Press Limited at the price at which they had been acquired.

The offer by The Thomson Company Limited to The Southam Company Limited was set out in a letter of May 25, 1957, which reads as follows:

"As a result of rising costs which have rendered our operation of The Vancouver Herald unprofitable, we have recently decided to discontinue operation of that newspaper as of June 15th, 1957.

While we do not intend at the present time to dispose of any of the tangible assets used in connection with the operation of this newspaper we would be prepared to sell to your Company the right to publish The Vancouver Herald together with all goodwill in relation thereto and all contracts in connection with the business of publishing the said newspaper other than employment contracts and the full benefit of all memberships in press associations and

franchises and of subscriptions to press, news and feature services held, owned or enjoyed by the said newspaper or by this Company in connection with or for the purpose of the said newspaper, the whole at a price of \$260,000.00 payable in cash on the 15th day of June, 1957. As part of any such transaction your Company would agree to assume all outstanding contracts entered into by this Company in connection with the business of publishing the said newspaper, all of which are listed below, as well as all liability in respect of the servicing of prepaid subscriptions for the said newspaper existing at June 15th, 1957. It is agreed that any obligations undertaken on or before June 15th, 1957 relating to premiums or inducements of any sort offered with or in consideration of subscriptions to the said newspaper shall remain as obligations of this Company and shall not be considered as outstanding contracts which you are to assume if you accept this offer.

Of course, if you accept this offer, you will be entitled to all subscription and circulation lists for the said newspaper and all our records relating to all of the contracts assumed by you.

We also undertake, if you accept this offer, to pay all costs and expenses relating to the discontinuance of publication of the said newspaper, including, without limiting the generality thereof, all amounts payable to our employees employed in any capacity in relation to the said newspaper in respect of the severance or termination of their employment.

If you accept this offer, we agree that we will, prior to June 15th, 1957, take all steps within our power to cause the Canadian Press Membership in respect of the said newspaper to be transferred to a representative designated by you. We also agree to take all such other steps within our power as may be necessary to effectively transfer to you the subject matter of this purchase and sale. All payments and expenses in respect of the assets and contracts to be acquired or assumed by you shall be adjusted as of June 15th, 1957 so that all such payments and expenses in respect of the period up to and including June 15th, 1957 shall be paid by us and thereafter by you.

It is a condition of this offer that if it shall be accepted by you and thus become a binding contract of sale and purchase it shall be closed on Saturday, the 15th day of June, 1957, at the hour of 10.30 o'clock in the forenoon, at the 15th Floor, 50 King Street West, Toronto,

Ontario, at which time and place you shall deliver to us a cheque or bank draft payable to our order for \$260,000.00 in lawful money of Canada.

If you are interested in the foregoing proposition and wish to accept our offer hereby made, we would appreciate hearing from you at your earliest convenience.

The list of contracts referred to above is as follows:

1. United Press Association, August 13, 1956, Bulletin Service, Telephoto Spot News.
2. British United Press, March 15, 1956, Trans-continental News Service.
3. The Observer, London, England, September 14, 1956.
4. Powell River Sales Company Limited, February 3, 1956 - Newsprint.
5. Fairchild Camera and Instrument Corporation, June 20, 1950, Lease of Engraver.
6. Fairchild Camera and Instrument Corporation, June 3, 1952, Lease of Scan-A-Graver.
7. Seaboard Advertising Co. Ltd., October 26, 1956 - 4 poster panels.
8. Seaboard Advertising Co. Ltd., September 4, 1956 - 1 illuminated Bulletin.
9. KVOS-TV January 3, 1957 - 260 spots, $\frac{1}{2}$ contra."

(Exhibit 2)

Mr. Balfour gave evidence to the Commission that the negotiations between the Thomson and Southam companies had been initiated by the former. He also said that prior to the sale he had seen the financial statements of The Herald which indicated substantial losses in the operation of the paper. During the inquiry Mr. Balfour testified that The Southam Company Limited had been approached to purchase The Herald on several previous occasions but had declined. In connection with the offer of May 25, 1957, set out above, Mr. Balfour gave the following evidence to the Commission:

"Q. Did that letter merely set down in a formal way arrangements which had been arrived at by previous discussion?

A. To some extent.

Q. Well, had the price and terms of sale been discussed generally before the letter was written?

A. There had been general discussions.

Q. Well, wasn't the letter just a formal offer?

A. It was a commitment.

Q. Yes?

A. We knew that the Thomson Company was losing money. I had seen the statement. I knew it was a question of time before they would have to go out of this market.

Q. Yes, and had you arrived at a tentative price before the letter was written?

A. Yes.

Q. And had you settled the details as to the franchises which you would take over and so on?

A. I am not sure of that. I think they probably did not all appear until the letter was written.

Q. Well, were the general arrangements -- had the general arrangements been set?

A. Yes.

Q. That is that you would take over certain franchises?

A. Yes. "

(Hearing, pp. 1280-81)

In his evidence during the inquiry Mr. Balfour said in regard to the agreement between the Southam and Sun companies:

"Q. Was it a factor in drawing up the terms of that agreement that the Herald should be purchased and would

be purchased?

A. It was discussed.

Q. And was it one of the --

A. It was not one of the necessary conditions, if that is what you mean.

Q. No, but was the agreement between Sun and Southam negotiated on the basis that the Herald -- franchises in connection with the Herald -- would be available?

A. No sir. It was negotiated whether or not they would be available.

Q. Before Southam purchased certain franchises from the Herald, had it been arranged that Pacific Press would in turn buy these franchises from Southam?

A. There was an understanding to that effect, yes."

(Evidence, p. 1005)

In regard to the price of \$260,000 at which The Herald franchises and goodwill were acquired, Mr. Balfour said in evidence:

"Q. What influenced the Southam Company to pay \$260,000 for these franchises?

A. There were several factors. The Canadian Press franchise was, in our opinion, worth \$40,000. The Herald had a subscription list of -- I forget how much. It had a circulation of something in excess of 30,000, which, on a newspaper rule-of-thumb, is worth at least \$10.00 a subscription. Furthermore, Mr. Thomson has been in business and we have been in business in the newspaper field for a long time, and he is a proud and independent man, and we felt that it would be a cleaner operation in Vancouver if Mr. Thomson were enabled to withdraw gracefully from the field."

(Evidence, p. 1006)

Mr. Balfour enlarged upon his earlier evidence when he appeared before the Commission:

"Q. When you did wish to buy it, [The Herald] was there any other reason than the ones you have given in evidence earlier?

A. I knew the Herald was sooner or later going to suspend, it was losing money and I knew it would go out of business. They held the Canadian Press franchise, which, as I said earlier, was worth possibly \$40,000. Under this proposed arrangement in which the Province would go into the morning field, we were faced with making a terrific change in the operation of a newspaper, we were taking an evening paper which had always been an evening paper and moving it into the morning field which had always been at least a marginal and latterly an unsound financial venture in Vancouver. If the Herald had continued in business, it would have been forced out sooner or later because of the weight of the Province in my judgment, and the money which the new company would have spent in turning the Province into a good morning paper, but it would have been very much more difficult to make this transition if the Herald had continued in business. It held the Canadian Press franchise. The Canadian Press, as I think you know, is a co-operative owned by all or most of the daily newspapers in Canada. There are one or two exceptions who are not members. It has the right to draw news from all those other newspapers, in other words it has -- it provides a first-class service of Canadian news coverage which in my judgment would have been essential for the Province.

THE CHAIRMAN:

The Province did not have it?

A. It didn't have it in the morning, it had it in the evening. The Herald held the morning franchise. We could have acquired, and I think we did, the British United Press franchise which is the only other wire service, Canadian wire service. It isn't nearly as adequate as the Canadian Press.

Q. Could you have acquired the Canadian Press franchise if the Herald had remained in the field?

A. We would have had to have moved into the morning field and applied to the Canadian Press for the franchise. I think we might have got it in time. I

don't know how long we would have been delayed. . . .

Q. What about the price you would have had to pay?

A. We still would have had to pay forty thousand.

MR. MacINTOSH:

Q. This had nothing to do with price, it is a question of when you get it?

A. When we get it.

Q. Yes.

A. The other thing which would have happened was that the morning paper market in Vancouver, this little morning paper market of thirty thousand odd which the Herald had, would be faced with competition from the Province coming into the morning field. It was being difficult enough and we knew it would be difficult to establish a first-class morning paper in Vancouver anyway and it would have been very much more difficult if the Herald had not suspended publication when it did."

(Hearing, pp. 1211-14)

Mr. D. C. Cromie gave the following evidence in the inquiry:

"BY MR. DuMOULIN:

Q. Would you mind telling the Commissioner the reason Pacific Press Limited paid \$260,000 to acquire the assets they did from the Herald?

A. Yes. The assets of the Herald included Canadian Press franchise, goodwill, subscription lists, and immediate access to the carriers. When it became apparent that Thomson wanted to close it, and offered it to The Sun, and offered it to Southam, he held a position especially with the Canadian Press franchise--the fees used to be exorbitant, and I used to argue with them for years and make myself highly unpopular about these things, and I don't know what they have done with them recently, I got out because I thought fees would

come down faster if I wasn't yaking at them. But there is still a fee, a fairly tough one to be paid, to come in and get a Canadian Press franchise where there is an existing paper. Mr. Thomson in addition to those assets had a sort of a position with relation to the readers, and there was not only the cash value of the franchise, the goodwill of the paper, the circulation list and carrier lists, but also the thing that is often formed in newspaper fields the position in this case being that we were old friends of Mr. Thomson, we had sold him the paper in the first place. We just looked on quietly when he made some what looked to us like rather expensive newcomers moves for what he called improving it, and he had lost money and we felt sympathetic. We knew when he first came into the field he proposed big ideas for an agreement which would put him out of business and put The Province in the morning field and give him a large share of the subsequent papers. So we felt that having turned him down completely on that, and having seen him suffer all those five years, if he was going to leave the field it would be nice of us to pay him what we felt was the fullest fair value for the assets he was going to leave us including that intangible thing of position.

We also included in that price--I don't know if I have seen anything written on it, but he said he wanted to get out of the field, he wanted to get paid for his debts, and we took a sympathetic view. We said if anyone else will pay you more by all means sell those assets to him; that we will probably change our minds and try and get the C.P. franchise if he took us up on that, but we also said if you are going to take this offer we would like you to keep going until The Province goes into the morning field. His general manager understood The Province would be going in somewhat sooner than the agreement was ready, and he complained bitterly that the offer was beginning to lose him money, and I know in fact the price was raised. Mr. Balfour said the Pacific Press is going to buy this from Southam, do you agree to paying Thomson more for staying in the field, and I said anything you do in that respect will be agreeable to me. So it is in part losses and in part the other things I have mentioned."

(Evidence, pp. 177-79)

The acquisition of The Herald thus left the morning field in Vancouver open for the shift of The Province from an evening to a morning paper.

2. Financial Aspects of Pacific Press Agreements

The Statement of Evidence gives the following summary of the financial aspects of the agreements relating to Pacific Press Limited:

"55. According to the information supplied to the Director, an agreement was entered into on May 24, 1957, between The Southam Company Limited and Sun Publishing Company Limited which agreement, in turn, provided for certain supplementary agreements with Pacific Press Limited and Province Newspapers Limited. The following is an outline of the principal financial provisions of the several agreements, copies of which are attached as Appendix III [1] (in this outline, the four companies named are referred to as 'Southam', 'Sun', 'Pacific Press' and 'Province Newspapers' respectively):

(a) It was recited that Sun owned the 10,000 issued shares (out of 1,600,000 authorized shares) of Pacific Press. These shares had a par value of \$1.00 each.

(b) It was recited that Southam owned the 10,000 authorized and issued shares of Province Newspapers. These shares had a par value of \$1.00 each.

(c) Sun agreed to sell its physical plant and assets to Pacific Press for \$8,500,000.00 (subject to certain exceptions and with a provision for adjustment for change of value before the actual date of transfer).

(d) Pacific Press agreed to issue and Sun agreed to buy 790,000 shares and \$7,700,000.00, 5½ per cent, twenty year bonds of Pacific Press. [At this point, therefore, Pacific Press owns Sun's physical plant and assets and Sun holds 800,000 shares (per value \$800,000.00) and \$7,700,000.00 in bonds of Pacific Press.]

[1] Copies of the agreement will be found in the Appendix to this report.

(e) Southam agreed to sell its physical plant and assets to Province Newspapers for \$800,000.00 (subject to exceptions and to adjustment at the date of actual transfer). Payment to be \$10,000.00 in cash and a promissory note for the balance.

(f) Southam agreed to sell and Pacific Press agreed to buy the 10,000 issued shares of Province Newspapers and the promissory note of Province Newspapers, the shares to be sold at their par value and the promissory note at its face value. [At this point, therefore, Pacific Press owns the physical plant and assets of both Sun and The Province Division of Southam, the former directly and the latter through its wholly-owned subsidiary, Province Newspapers.]

(g) Pacific Press agreed to issue and Southam agreed to buy 800,000 shares in Pacific Press. [At this point, therefore, Southam and Sun each hold 800,000 shares of the 1,600,000 issued shares of Pacific Press.]

(h) Southam proposed to incorporate a new company, Province Holdings Limited.

(i) Sun agreed to sell and Southam, on behalf of Province Holdings Limited, agreed to buy \$3,850,000.00 (i.e., one-half) of the \$7,700,000.00 issue of bonds of Pacific Press held by Sun. There was an option under which Southam might buy these bonds directly instead of having its subsidiary buy them. [At this point, therefore, Sun and Southam each hold one-half of the issued shares and one-half of the outstanding bonds of Pacific Press which, in turn, either directly or indirectly, owns the physical plants and assets formerly owned by Sun and Southam.]

(j) Under the agreements, the physical plant and assets of Southam which were to be transferred were valued at \$800,000.00 this figure was adjusted to \$873,189.88 at the actual date of transfer. Both the original and revised figures included \$1.00 for goodwill, franchises, etc., and \$1.00 for contracts for supplies, etc.

(k) Under the agreements, the physical plant and assets of Sun which were to be transferred were valued at \$8,500,000.00. While adjustments were made to component items, these balanced out and the final revised figure at the date of transfer remained at \$8,500,000.00. Both the original and revised figures included \$6,250,000.00

for goodwill, franchises, etc., and \$1.00 contracts for supplies, etc. [In the result, therefore, Sun and Southam each hold one-half of the issued shares and one-half of the outstanding debentures of Pacific Press. For this, Southam has handed over its Vancouver Province plant and assets and has paid \$3,850,000.00. Sun has handed over its Vancouver Sun plant and assets and has received, in addition to its shares and debentures, a payment of \$3,850,000.00.]

56. Evidence was given during the inquiry that Province Newspapers Limited was subsequently wound up, so that the plant and assets of The Province are now owned directly by Pacific Press Limited rather than indirectly through a subsidiary as was originally the case."

3. Provisions in Pacific Press Agreements for Control and Operation of The Province and The Sun

The preamble of the agreement of May 24, 1957 states, among other things, that the arrangement has been made as a means "to maintain the existing quality, character and personality of each of the said newspapers and independence, freedom and autonomy in the publishing thereof respectively; . . ."

The following review of the provisions of the agreements relating to control and operation of The Province and The Sun is given in the Statement of Evidence:

"57. In addition to the financial arrangements, certain provisions were made in the agreements for the control and operation of the two newspapers after the amalgamation. The most important of these appear to be the following:

(a) Sun agreed that at the finalization of the agreements it would cause four directors nominated by Southam to be elected or appointed to the Board of Directors of Pacific Press (which consists of eight directors).

(b) It was agreed that so long as Sun and Southam each holds, directly or indirectly, fifty per cent of the outstanding shares of Pacific Press, each will vote so as to ensure that the Board of Directors of Pacific Press will consist of four persons nominated by Sun and four persons nominated by Southam.

(c) Both Sun and Southam agreed to do their utmost to cause the Board of Directors of Pacific Press to declare and pay at least forty per cent of net earnings as dividends.

(d) It was agreed:

- i. The general manager of Pacific Press would be responsible for the management of Pacific Press except for the 'publication departments' which consist of the news, editorial, advertising, circulation and promotion departments;
- ii. Sun would appoint a publisher of The Vancouver Sun and Southam would appoint a publisher of The Province. These publishers would manage the publication departments of The Vancouver Sun and The Province respectively;
- iii. Such publishers as well as all other personnel employed in the publication of both newspapers would be paid by Pacific Press; and
- iv. Detailed accounts of the earnings and expenses of Pacific Press attributable to the publication of each newspaper would be kept, and monthly profit and loss statements on the operation of each newspaper would be submitted to each publisher and to the Board of Directors of Pacific Press."

CHAPTER VI

REASONS GIVEN FOR AMALGAMATING OPERATIONS OF THE PROVINCE AND THE SUN

1. Earlier Proposals for Changes in the Daily Newspaper Situation in Vancouver

It has already been mentioned that, according to the evidence of Mr. Balfour, operations of The Herald had been unprofitable for some years prior to its discontinuance and The Thomson Company Limited had made previous unsuccessful efforts to sell The Herald. In regard to the earlier offers Mr. Balfour gave evidence as follows:

"Q. . . .

Now was there any other reason for making an arrangement with Mr. Thomson?

A. We knew the Herald -- I knew the Herald was losing money.

Q. How did you know that?

A. Mr. McCabe of the Thomson Company had told me so.

Q. Yes.

A. And it had been endeavouring to persuade the Southam Company to buy the Herald for -- at least since I became Managing-Director of the company and I think before that.

Q. Yes. Did you consider that alternative?

A. Yes, we did consider that alternative, we wondered whether -- we considered the possibility of buying the Herald and continuing in the morning field and leaving the Province in the evening field as a means of improving

our competitive position and decided after careful examination that this would not improve, and we told Mr. Thomson that we did not wish to buy it."

(Hearing, p. 1211)

Evidence as to discussions between The Province and The Sun in the period prior to 1956 was given by Mr. Moscarella as follows:

"Q. You were going to tell me about the getting together of The Sun and The Province?

A. Oh. Since the strike The Vancouver Province, as I started to tell you, had not made sufficient money to carry along. There had been discussions for quite some time as to how we could best rationalize the newspaper field in Vancouver. I recall many years ago having a discussion with Mr. Cromie. At that time he said neither of us were making any money, and if we kept up this very expensive competitive position one or the other of us would have to fold up, because there was no possible opportunity for both of us to exist. I believe from that time, which might go back as many as four years ago, we did discuss how we could rationalize the Vancouver newspaper situation, and he made the suggestion at that time to me that we should consider the question of going into the morning field and he going into the evening field. I said that sounds alright providing we reverse the situation, that we go into the evening field and he go into the morning field. Of course, he laughed that off, nothing doing, his was the largest paper and he should have the choice of the field in which he should publish.

Q. When did this discussion take place?

A. The first discussion I had with Mr. Cromie must have been at least I would say about around 1953 or 1954. At that time we were both engaged in a very very expensive promotional activity, and each of us was cancelling out what the other fellow was trying to do."

(Evidence, pp. 109-10)

Mr. Balfour also gave evidence as to other proposals:

"MR. MacINTOSH:

Q. Mr. Balfour, did you conduct the negotiations on behalf of the Southam Company which led to this arrangement?

A. Yes.

Q. Did Mr. Cromie conduct them on behalf of the Sun Publishing Company?

A. Yes.

Q. Were any other proposals made by either you or Mr. Cromie than the one which finally was adopted?

A. Yes.

Q. Will you just describe what those proposals were?

A. There were a number of proposals which in essence all ended up by one side or the other being in the controlling position. Mr. Cromie suggested that we should go in the morning field and become part of a new company in which we would hold 40%. We suggested to Mr. Cromie we should acquire the Sun Publishing Company Limited. As I say there were variations of this but they all involved the certainty of control by the Sun Publishing or Southam. Neither was willing to enter into an arrangement on that basis at all.

Q. If you had accepted Mr. Cromie's proposal of 40% participation in a new company, would that not have been profitable?

A. Yes.

Q. Then why didn't you do it?

A. Because it meant surrendering our control of publication of the Province."

(Hearing, pp. 1205-06)

2. Anticipated Economies in Control of Production
Facilities by Pacific Press Limited

The preamble to the agreement of May 24, 1957 between the Southam and Sun companies states:

"WHEREAS each of Sun and Southam contemplates and has undertaken or committed itself in whole or in part for the expenditure of a substantial amount of money for the purpose of improving its plant and its production and distribution facilities in the City of Vancouver and each of the parties to this Agreement has concluded that substantial savings in the aggregate cost of producing and distributing their respective newspapers would be achieved if arrangements could be concluded whereby both of the said newspapers would be produced by one plant owned jointly between Sun and Southam and have therefore determined to enter into this Agreement as a means of practising and achieving economy in the mechanical production of the daily newspaper known as The Vancouver Sun and the daily newspaper known as The Province respectively published by Sun and Southam . . ."

The following statement by Mr. Cromie was published in The Sun on May 30, 1957 under the heading "'HOME PAPER' STRONGER - SUN CONTROL STAYS SAME":

"The following is a statement by Donald Cromie, president of Sun Publishing Co. Ltd. and publisher of The Vancouver Sun.

What changes will Vancouver's new publishing company bring to the policies, personality and control of The Sun?

None that I can see after months of careful consideration and consultation with our directors and department managers.

The new arrangement brings us greater than ever assurance and freedom to work in our own style to give our readers the best in news, views, entertainment and community leadership.

Our 'style' and our policies have been described in various tempers from excellent to outrageous.

We regard ourselves, however, as newspapermen who enjoy the business, our independence, and the beauties and advantages of our city and our country. We also enjoy

protecting and promoting these in freehand fashion, calling shots as we see them.

My father started The Morning Sun in this fashion 40 years ago and developed it to a vigorous evening paper. Each year more Vancouver people support this spirit of newspapering. The Sun's 200,000 subscribers last month far outnumbered the combined total of the other Vancouver papers.

x x x

In recent years my late brother, Sam Cromie, and I, explored ways to create the greatest opportunities for long-term continuance of local and alert control of The Sun. The arrangement announced today is one step that we agreed to explore last fall and largely completed negotiating just before his death in February.

We believed that The Sun, as an independent, local newspaper, represented something that a community desires and deserves under private enterprise. We believed that provision for its continuance as such, looking beyond normal hazards and personal interests, represented a challenge and a responsibility.

Many pressures oppose such provisions. New generations dilute the centralized ownership which is usually characteristic of vigorous and independent newspapers. Heavy inheritance taxes speed this dilution.

We sought, therefore, to bring into our board of directors persons outside this business itself who were aware of and sympathetic to the importance of continuing local independence and alertness.

We divided the value of Sun shares between voting and non-voting shares to allow a slower spread of voting control as, over a long period, much of our share-holding becomes purchased by Vancouver's public. We have guided such sales toward wide distribution in small lots.

Today we have about 500 Sun shareholders. Five Cromie families own about 60 per cent, but independently and without any formal grouping beyond the ties of mutual interest and friendship.

x x x

A different pressure arises from the ultimate direction of our satisfactory growth, profits and plant and equipment progress. Two large national companies, The Thomson Company, with The Herald bought from The Sun in 1952, and The Southam Co. with The Province, had progress difficulties in the past five years. The Herald has suffered increasing losses in recent years, with signs last year that its owners considered a sale or closure imminently unavoidable.

The Province, competing vigorously, made marginal progress against rising costs, but faced great expenditures in new land and the costly plant and buildings necessary to modern newspaper production.

The Sun has been ahead also on plant progress. The large, well located property at Georgia and Beatty Streets, has our main press and stereo plant, and additional, ample new press wing under construction, and a large high-speed press due from the manufacturers this fall.

Designs for a complete new office building and the balance of mechanical plant to unite one whole, efficient operation at this site are well advanced.

But the costs of this last step are the greatest of all, and the prospect of proceeding while the large Southam Company operated The Province seemed unwise until we saved a very large reserve of cash.

Even then, this step should assume either that The Sun by then has, or intends to shortly, force The Province from the Vancouver newspaper fields or must face and win a fight to the finish with room for only one survivor.

x x x

The economics and production requirements of modern newspapers are such that this struggle would involve two new plants costing about \$18,000,000 fighting for a market that should sustain only about half that much capital and attendant operating costs.

In addition to rising costs, we face sharing an increasing portion of the B.C. advertising market with commercial television. Let me note here that despite this prospect of economic loss, The Sun has promoted commercial television against the policies of CBC because we believe development of commercial television is the public's desire and in the public interest.

That The Sun should win this potential showdown, by prudent withdrawal of the Southams or in active struggle for Vancouver readership favor, seemed most likely.

Either type of victory presented the near certainty of a one-ownership, single company, single management newspaper domination of Vancouver.

The same would have been true should The Southam Company have gambled and successfully outpaced us with costly promotions to justify a big new plant.

The prospect even of The Sun's total domination of Vancouver newspapers, despite the economy and earnings attractions, has obvious disadvantages. Neither the public nor the owners, in a city this size, should be happy with such a heavy single newspaper responsibility if an alternative is available.

I believe that our alternative is as practical and conscientious as we can devise. It ensures a healthy measure of competition. It escapes an impending, wasteful struggle whose goal would have been the elimination of competition.

(For the assurance of shareholders, I would point out here that the earnings from The Southam's equalization payment are calculated to replace the portion of our newspaper earnings that will now go to the Southam Company.)

x x x

We are aware that the new arrangement is unusual, almost unique. But Vancouver has long needed a top quality morning newspaper which The Province will supply. The Sun as a newspaper, as well as the Sun Publishing Company Ltd. as a partner in both papers' earnings, will welcome the growth of the new morning newspaper.

But we shall continue to scoop them with the best columnists, editors and news breaks (except, perhaps, for isolated incidents we'd rather forget). We shall continue our superior condescension towards the conservative policy vision of The Southam Company, admitting, for the time being, at least, their approach to newspapering equality only in Vancouver where we have forced them to the finest product of any in Southam group.

We respect that company's integrity and intentions to the limit, however.

In fact, the autonomy clauses in our agreement, written by The Sun, are so strong that either company could wipe out all Vancouver profits and create large over-all losses by extravagances in its respective newspaper. Fears for such conduct don't exist between reasonable people.

Instead, we believe that in creating a unique, stand-offish operation we have made a real effort at intelligent solution to a strange, modern economic paradox.

I am free and less encumbered than before to work out methods that should prolong The Sun's independent and lively policies and methods.

Men can't foretell the future. They may and should, however, strive to create atmospheres and conditions in which good policies and ideals are most likely to continue to work and flourish.

I firmly believe we have worked well to these goals in our new newspaper arrangement. The Sun's directors unanimously join me in assuring our subscribers that The Sun's traditional policies of public vigilance and service will continue more firmly and independently than ever."

A news story in the same issue of The Sun read as follows:

"SUN, PROVINCE FORM FIRM FOR JOINT NEWSPAPER PRODUCTION

Province Becomes Morning Paper

The Vancouver Sun and The Vancouver Province have agreed to pool their assets in a new publishing firm called Pacific Press Limited.

The Sun will continue in the afternoon field. The Province will become a morning newspaper.

Both papers will retain their independence and competitive spirit in news, editorial, advertising and circulation departments. Their present owners, Sun Publishing Company Ltd. and The Southam Company, will continue to control the respective editorial, advertising and circulation departments by contract.

Mr. Donald Cromie, publisher of The Sun and president of Sun Publishing Company Ltd., and Mr. Arthur W. Moscarella, publisher of The Province, announced the plan today.

High Costs Bring Move

The decision resulted from the pressure of heavy cost increases, including labor, newsprint and modern plant and equipment.

Both newspapers had been planning separate new building and equipment programs costing more than double their present plants, in order to maintain modern speed, color and production standards.

Joint accounting and mechanical production departments are planned. Date of The Province's move into the morning field will be announced later.

A new office building and enlarged production facilities are planned at the site of The Sun's present press and mechanical building at Georgia and Beatty Streets. This location is just one block east of the new Civic Auditorium and Post Office.

It will take upwards of three years to plan and construct the new building. When this is complete the present Sun and Province buildings will be sold.

The two companies will be equal partners in Pacific Press. Each will have four members on the eight-man board of directors.

The new corporate structure will result in the Southam Company making, in effect, a \$3,850,000 equalization payment to The Sun in consideration of this newspaper's larger circulation, earnings and plant value. A special general meeting of Sun shareholders will be called to ratify the agreement.

Benefit to All B.C.

The management of both papers said they are confident that the moves indicated in the agreement are in the best interests of Vancouver and British Columbia with the new arrangement covering both the morning and evening fields by the city's two largest and longest-established dailies.

Said Mr. Cromie:

'We believe that resulting economies will benefit readers, our companies, employees and advertisers. It will eliminate the waste and duplication caused by publication of two large newspapers in the same evening field.

'We feel that with The Province in the morning field, the Southam Company will service Vancouver with one of Canada's finest morning papers.'

Commented Mr. Moscarella:

'I feel that there is a tremendous opportunity in this morning field for The Province to continue to serve British Columbia as it has done as a daily newspaper now for 59 years.'

Charles Bailey, business manager of The Sun, will vacate that post to become general manager of Pacific Press. Ross Munro, editor of The Province, has been appointed assistant publisher of that paper. He will continue as editor.

Highlights of Agreement

The agreement provides that:

Pacific Press Ltd. has been formed with an authorized capital of 1,600,000 shares of \$1. par value. Pacific Press creates an issue of \$7,700,000 principal amount of 5½ per cent 20-year redeemable debentures.

The Sun takes up 800,000 shares of Pacific Press at par and all the debentures. The Sun then sells all of its assets to Pacific Press for \$8,500,000.

Province Newspapers Ltd. has been formed with an authorized capital of 10,000 shares of \$1. par value. Southam will take up all of these shares at par.

Southam will sell to Province Newspapers Ltd. the assets used in the publication of the Vancouver Province for \$800,000 which will be payable as to \$10,000 in cash and as to the balance by a promissory note.

Southam will then sell to Pacific Press Ltd. the shares and the note of Province Newspapers for the par value of the shares and the face amount of the note.

Southam will then take up 800,000 shares of Pacific Press Ltd. at par.

The Sun will sell to Southam for \$3,850,000 one half the principal amount of the outstanding debentures of Pacific Press Ltd.

When these steps have been completed the Sun and Southam will each own half the shares and half the outstanding debentures of Pacific Press Ltd."

In a return of information of July 30, 1957 to the Director the following statement was made as to economies expected in the operation of Pacific Press Limited:

"2. While no significant economies have as yet been effected, the following economies are expected to result from such integrated operation as compared with the cost of publishing and distributing these two newspapers separately:-

- (a) Annual depreciation charges;
- (b) Maintenance costs;
- (c) Financing costs;
- (d) Labor costs."

In a letter of February 12, 1959, Mr. C.F. Bailey, Secretary, Pacific Press Limited, elaborated on the answer given in the return of July 30, 1957:

"In our return of information submitted on July 30, 1957 we stated that we expected economies from integrated operation as follows:

- (a) Annual depreciation charges.
- (b) Maintenance Costs.
- (c) Financing Costs.
- (d) Labor Costs.

With respect to item (d), certain operating economies have been effected, as evidenced by the comparative statements for the periods ended March 31, 1958 and December 31, 1958.

The most significant reductions in expenses have been made in Editorial, Circulation and Pressroom operations arising out of the move of the Province to the morning field. Other savings in labor costs have not yet been achieved due to the process of re-organizing personnel and to restrictive union contract provisions that existed at the time of consolidation of production facilities, and that cannot be eliminated until negotiation of new contracts.

With respect to items (a), (b) and (c), if the Sun and Province had continued under separate ownership, approximately the same stage of development would have been reached, but solely for the production of the Sun. Concurrently with this, The Southam Company Ltd. would have had their proposed new plant in course of construction and this, when completed, would have approximately duplicated the completed Sun plant.

It would not be possible to determine exactly the amounts of annual depreciation charges, maintenance costs and financing costs that have been eliminated by avoiding duplication of new plant facilities. A reasonable estimate could be made, however, of \$500,000.00 per year."

3. Positions of The Sun and The Province

The evidence so far reviewed in this report shows that in recent years The Sun has been operated profitably and that the annual profits were considerably higher after 1948 than in preceding years, and approached one million dollars in 1956. On the other hand, The Province, which had been a profitable undertaking up to the time of the strike in 1946, suffered losses in seven of the ten years from 1947 to 1956. In the three years in which profits were shown the return was relatively small compared with that of The Sun.

In view of the differing financial circumstances of the two papers question naturally arises why the prosperous undertaking, The Sun, would be interested in entering into an arrangement whereby the profits in the publication of newspapers in Vancouver would be shared with the financially unsuccessful competitor.

Mr. Cromie gave the following explanation for The Sun entering into the arrangement with The Province. A portion of Mr. Cromie's evidence in this connection has already been quoted:

"BY MR. MacLEOD:

. . .

Q. Why did The Sun merge with The Province?

MR. DuMOULIN: I would like to get this on the record that I object to the form in which that question is put.

MR. MacLEOD: I want to know from Mr. Cromie why they entered into this agreement.

A. We had been running the newspaper--I had been in it since 1942 running it. After the War the costs in the newspaper business became much higher. When The Province suffered a strike from the ITU we had been for four or five years running a parallel position with them, behind in circulation, but not losing ground as we had previously. Under the burden of the strike we passed them. We made money, and it became apparent they were having a very difficult time. As the years went by it seemed to us and it was our estimation that the field could not support two newspapers, and if we were in the same position as they, or if circumstances upset the field, we would probably go out of business. We felt--we did not have access to their records-- that they were in the main losing money, and that of course we could not stand that indefinitely as they were standing it.

And from an economic point of view we may have felt it was a useful gamble to keep pressing them, which we were pressing them, that an upset from a newspaper responsibility point of view, with only one newspaper in the evening field, and possibly if they were forced out there would be no morning paper there, or a small one, we did not like to take the gamble that we would be the ones forced out by some circumstances. We were not overly anxious to go through a long process of having them subsidize their paper with eastern money in the hopes of swinging the tables on us, or even if they stayed on indefinitely of forcing the field to support two newspapers at a precarious level.

We were doing well, but with the other eastern chain in the field at times we entertained thoughts of joining with them. We were not sure how long it

was going to be successful, and therefore we thought it was prudent for the newspaper and for ourselves to enter into an agreement with them.

Q. Do you consider it is profitable to you to be a partner to this agreement?

A. I think in time it will be. The first year of course in changing a paper from an evening to a morning paper is a very expensive one. They need a good paper but it is hard to teach them what they have to pay, and plenty of subscriptions and a reasonable amount of advertising.

Q. I think you said that Vancouver would not support two newspapers?

A. In the evening field, I should have said that if I did not."

(Evidence, pp. 151-53)

The general position of The Province in relation to The Sun has been extensively described in the preceding sections of this report but some additional features were brought out in the hearing before the Commission and other aspects were enlarged upon in the evidence presented to the Commission.

The duplication of subscribers to The Sun and The Province was regarded by the latter as having a serious effect upon its position and advertising revenues and only a slight effect on the revenues of The Sun. The degree of duplication was estimated at various figures ranging from a minimum of 10 per cent to an estimate that The Sun had over 80 per cent of the Vancouver market (Hearing, pp. 1155-57). The situation in which The Province was placed was described by Mr. Balfour as follows:

"Q. Was this question of duplication a matter of concern to the Province as the smaller paper?

A. Yes, it was affecting us more seriously than it did the Sun.

Q. Why is that so?

A. The advertiser, if he is going to use newspapers at all, uses the larger newspaper first, and if he has sufficient funds he then uses the second newspaper to cover the balance of the market. If the duplication rate is high it means the second newspaper's actual share, the share of

the market which the second newspaper has to itself is considerably smaller than its published circulation figures.

. . .

Q. Did you find that this duplication factor had any greater significance in the field of retail advertising than in other forms of advertising?

A. Yes.

Q. What greater significance did it take?

A. In retail advertising, as I pointed out, the advertiser obviously, in fact any advertiser is going to buy the leading newspaper first and the Sun was using this aggressively, daily in the retail field against the Province. It made it more difficult for the Province to obtain its share of the retail advertising policy [sic]."

(Hearing, pp. 1156-58)

The fact that the older presses of The Province could not be adapted for the use of colour for advertising and editorial purposes in the way the newer presses of The Sun could be used has already been mentioned. When asked why The Province could not have continued without greater use of colour, Mr. Balfour gave the following evidence:

"Q. Mr. Balfour, you gave evidence before that it was essential for the Province to have colour. Why not just continue to lose the colour advertising and not incur any further expenditures?

A. We would lose the colour advertising and it would have a serious effect on all the advertising."

(Hearing, pp. 1185-86)

Earlier in his evidence Mr. Balfour had said that the ability to offer colour in a newspaper is very important from a competitive point of view, not only from the viewpoint of attracting advertising but the use of colour in other parts of the paper has a marked effect on circulation (Hearing, p. 1176).

The position of The Province with respect to printing in colour was further affected by the fact that The Sun had secured the Weekend Magazine in 1951. Mr. Balfour said that this had

occurred without The Province having had an opportunity, which it would have liked, to secure this supplement (Hearing, pp. 1286-87). The result of The Sun rather than The Province having the distribution of the Weekend Magazine in Vancouver was described by Mr. Balfour in his evidence as follows:

"Q. Did Week-End--did the fact that the Sun had Week-End Magazine and the Province did not have Week-End Magazine have any effect on the competitive position of the Province in Vancouver?

A. It has an effect on the competitive position as far as circulation was concerned and it had an effect on the Province's economic position.

Q. What effect did it have on the Province's economic position?

A. In order to compete at all with Week-End Magazine the Province had to commence publication of a special Saturday supplement of its own.

Q. What was the cost of this supplement a year?

A. Approximately \$400,000.00.

Q. Did you consider that the supplement developed by the Province gave you an effective competitive supplement with Week-End?

A. No.

Q. Why not?

A. In the first place we couldn't afford to have it done on rotogravure and in the second place although the Province was able to localize its magazine, by that I mean it carried stories which had a very local connection, it wasn't able to afford the editorial budget on a circulation of just over a hundred thousand with practically no advertising that Week-End was able to afford with a circulation in excess of a million with quite a lot of advertising.

Q. Now what effect--do you think this had any effect on the circulation of the Province?

A. Yes.

Q. In what way?

A. Well it enabled the Sun to give a more attractive product than the Province could.

Q. What is the importance of printing the supplement in rotogravure as opposed to the way in which the Province was able to print?

A. It is printed on a better quality stock by a different process which enables the supplement to carry the type of high class colour advertising which--similar to magazines.

Q. Did the use of Week-End by the Sun have any effect on the advertising position of the Province?

A. Yes.

Q. In the Vancouver market?

A. Yes.

Q. What was that effect?

A. Well the advent of Week-End Magazine diverted more of the general advertising expenditure of Canadian advertisers into week-end publications such as Week-End Magazine and the Star Weekly, and this was at the expense to some extent at least of the daily black and white newspaper, which the Province was.

Q. Have you any idea what Week-End Magazine cost the Sun?

A. When it started there was a small charge for it. It now--by the time before the amalgamation it was at least being given to the Sun for nothing and possibly--yes, I think the Sun was being paid for carrying it by that time.

Q. How do you happen to have information as to this?

A. Because we have Week-End Magazine in another of our other newspapers, everywhere we could get it.

Q. Have you been paid by Week-End in the case of those other newspapers?

A. Yes."

(Hearing, pp.1172-74)

Mr. Balfour went on to say that the Weekend Magazine is delivered without cost to the distributing newspaper and that after the absorption of production costs the ensuing revenue is divided on the basis of 70-30 or a ratio closely approximating this division between the publisher and the distributing newspapers.

In the opinion of Mr. Balfour there was no possibility of increasing the revenues of The Province by raising advertising or subscription rates in the face of the competition of The Sun. He said in evidence:

"A. We couldn't raise our advertising rates, we tried and hadn't been able to hold them at the level we pushed them to. At the existing rates our classified was still declining, our national was as high as it was logical to push it. Any further increase would have meant a loss of business to the Province and a possible diversion of some more newspaper dollars to radio and television. The circulation price we couldn't possibly increase as the second paper, we weren't offering as much when we take into account Week-End as the Sun was."

(Hearing, p. 1204)

When a prospective budget for The Province was drawn up for 1957, profits on the year's operations, before taxes and head office expenses and debenture interest, were estimated at \$230,772 (Exhibit H-21), compared with \$405,445 on the same basis for 1956. During the first five months of 1957 earnings before taxes were \$83,681 (Exhibit H-42) whereas the budget estimate had been \$174,321. On the other hand, earnings before taxes of The Sun were \$1,644,896 for the 9 months ended May 31, 1957 compared with \$1,656,048 for the full year 1956.

Mr. Balfour gave the following evidence as to the view he took of The Province as a separate newspaper:

"MR. MacLEOD:

. . .

Q. Now in the discussion which you had with my friend about prospective or estimated revenue in years to come or years following the amalgamation if the Province had remained by itself, were those based on the assumption

that the Province would remain in second place?

A. Yes.

Q. And you saw no possibility of taking the lead?

A. No.

Q. If you could by some means or other have taken the lead or seen the possibility of taking the lead, would the erection of a new plant have been justified?

A. Yes."

(Hearing, p. 1281)

During the inquiry Mr. Balfour had given the following evidence:

"Q. Now one of the effects of the agreement entered into between Southam and Sun to set up Pacific Press would be, I take it, to save you a substantial capital investment in plant and equipment?

A. Yes, sir.

Q. However, the agreement itself did involve a substantial investment on the part of the Southam Company, did it not?

A. Yes, on which we expect to make a return.

Q. Yes. I suppose you would not have done it if you did not think it was the wiser course, but apparently you did think it was better to invest this money in Pacific Press than to invest the same or a slightly larger amount in the Province?

A. I saw no possibility of earning a return on our investment by making a further capital investment in the Province in Vancouver.

Q. This is perhaps hypothetical, but assuming you could not have reached an agreement with the Sun, do you think you would have gone ahead with your capital expansion programme for the Province?

A. We would have had to do what I think Mr. Dulles has

referred to as 'an agonizing re-appraisal'. "

(Evidence, pp. 1016-17)

In spite of the poor earning record of The Province, a site for a new plant had been purchased in Vancouver as previously mentioned. It was stated in evidence that the purchase of the property was regarded by the management of The Southam Company Limited as a prudent investment even if the property so acquired was not used by The Province. Further explanation of the purchase of the site was given in evidence before the Commission by Mr. Balfour:

"Q. Now, Mr. Balfour, in the light of your rather pessimistic views as to the future of the Province, why did you approve of the purchase of the site in Vancouver?

A. Because up to the very last minute we were exploring every possibility of continuing the Province as a separate, a completely separate operation owned by us. We knew that if we were going to continue, we had to have a new plant, and in buying this site we realized that it was a good piece of real-estate and if we didn't use it, the company would not suffer a loss by holding it, and we also realized that in the place of the Sun's announced plans for expansion, that we had to indicate that we were going to continue operating and fighting them, otherwise our position in the discussions with Mr. Cromie would have been still weaker.

THE CHAIRMAN:

Q. Had you already started discussions with Mr. Cromie at the time you acquired this land?

A. They had been on and off, sir, for a number of--a couple of years anyway.

MR. MacINTOSH:

Q. I believe the evidence given in Vancouver earlier by Mr. Moscarella was that Mr. Cromie made a proposal to him as early as 1954, which would have involved Mr. Cromie taking control?

A. That was the first time I had anything to do with it, when I was out here in 1954."

(Hearing, pp. 1208-09)

Mr. Balfour was asked in cross-examination if consideration had been given to joint ownership of a printing plant by The Province and The Sun with the maintenance of separate ownership of the newspapers. His evidence was as follows:

"MR. MacLEOD:

- Q. As a matter of interest have you read about the arrangements entered into in St. Louis whereby one paper is printed in the plant of another?
- A. Yes, but I am not familiar with it.
- Q. Was such an arrangement considered in Vancouver? That is, something in the nature of a joint printing plant with independent ownership of the two newspapers?
- A. Yes, I think it was, Mr. MacLeod, but again discarded because of the problem of the newspaper going into the morning field of being able to exist.
- Q. Do you mean by that that it would not have been able to tie into the national advertising and such considerations as you explained a little while ago?
- A. I just mean that the financial picture of the Province even with the tying into national advertising has been so unfavourable that it would not have been--we could not have considered going into the morning field alone.
- Q. Was such an arrangement considered on the basis of both newspapers remaining in the evening field?
- A. This is physically impossible.
- Q. That is there would be no advantage of combining both plants?
- A. You can't produce two papers from the same machine at the same time."

(Hearing, pp. 1284-85)

In his evidence before the Commission, Mr. Balfour said he believed that the arrangement establishing Pacific Press Limited "was the only possible arrangement for the Province" (Hearing, p. 1241).

CHAPTER VII

OPERATIONS OF THE PROVINCE AND THE SUN SINCE AMALGAMATION

1. Position of The Province

The difficulties of operating a morning newspaper in Vancouver as described in the evidence in the inquiry have been borne out in the experience of The Province up to the time of the hearing of the Commission in January, 1960. A statement filed with the Commission covering the period June, 1957 to November, 1959 showed operating profits in only three months in 1958 and two months in 1959.

Table 19

Gross Operating Profit of The Province, by Months,
June, 1957 - November, 1959

<u>Month</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
January	\$	\$ (134, 491)	\$ (79, 030)
February		(84, 375)	(33, 680)
March		(9, 040)	2, 153
April		5, 460	(11, 059)
May		5, 563	23, 174
June	(144, 173)	(4, 165)	(19, 909)
July	(130, 133)	(31, 497)	(78, 110)
August	(104, 980)	(35, 300)	(97, 116)
September	(76, 399)	(21, 686)	(38, 770)
October	(60, 141)	4, 074	(19, 801)
November	(39, 420)	(5, 928)	(48, 580)
December	(89, 729)	(50, 810)	

Note: Figures in brackets are losses.

Source: Exhibit H-22

Changes in the circulations of The Province and The Sun from the time of the amalgamation up to 1959 are shown in the information secured by the Director and certain exhibits filed with the Commission, including Canadian Advertising, issue of November-December, 1959. The following table shows the circulations for the period since June, 1957, when The Province became a morning newspaper.

Table 20

	Circulations of The Province and The Sun, 1957-59	
	<u>The Province</u>	<u>The Sun</u>
1957		
June	122, 721	198, 045
September 30	131, 811	205, 167
1958		
April	113, 606	202, 455
May	112, 110	201, 862
June	112, 450	199, 964
July	113, 191	198, 805
August	112, 506	199, 706
September	109, 355	200, 937
October	107, 835	206, 077
November	107, 294	214, 103
December	106, 017	212, 191
Six months ended		
March 31, 1959	106, 435	211, 930

The following review of changes in the circulations of The Province and of The Sun since the amalgamation is given in the Statement of Evidence:

"86. The circulation of The Province reached about 137, 000 by the end of July 1957. The increase probably resulted, in part at least, from its taking over former subscribers to The Herald. In any event, the increase was temporary and circulation decreased steadily, at first sharply but then more gradually, until at the end of 1958 it was 106, 017.

87. The circulation of The Vancouver Sun increased steadily until, for November and December 1957, it was running at about 220, 000. Then, after a sharp initial decrease,

circulation declined steadily to 200,000 at the end of June 1958 and remained at about that figure until September 1958. It then increased to a high of 214,103 at the end of November and at the end of 1958 was 212,191. Undoubtedly, part of the loss in circulation at the beginning of 1958 was due to an increase in the price of the paper announced at that time."

The shift of The Province to the morning field resulted in a very substantial drop in retail advertising lineage. The following table gives the advertising lineage for 18 major retail accounts, other than department stores, and the total of all retail advertising, other than department stores, for the period 1956-59:

Table 21

Record of Linage, The Province,
18 Major Accounts and All Retail
(other than Department Stores),
1956-59

	<u>18 Major Accounts</u> ⁽¹⁾	<u>All Retail</u> ⁽¹⁾
1956	1, 725, 003	4, 543, 030
1957	1, 029, 954	3, 735, 532
1958	513, 381	3, 239, 050
1959 to November 30	430, 999	2, 994, 147

(1) Not including department stores.

Source: Exhibit H-24.

The decline in the amount of retail advertising in The Province has been accompanied by a slight decline in revenue per line of retail advertising so that the income of The Province from this source must have been reduced in direct ratio to the falling off in amount of advertising.

Other Southam papers, and apparently also The Sun, have increased the revenue per line of retail advertising in the same period as shown in Table 22. The Province and the other papers show increases in the rates for classified advertising, but the increase in the case of The Province probably did not offset the decline in the

amount of advertising placed with the paper.

Table 22

Comparison of Retail and Classified Advertising Rates, Expressed as Revenue per Line, January 1-March 31, 1955 and November, 1959, Southam Papers and The Sun

	Retail			Classified		
	Jan. 1- Mar. 31, 1955	Nov- ember, 1959	% Change	Jan. 1- Mar. 31, 1955	Nov- ember, 1959	% Change
Vancouver Province	20.49¢	20.20¢	-1.42	18.66¢	22.85¢	22.45
Hamilton Spectator	17.31	21.39	23.57	15.74	19.06	21.09
Ottawa Citizen	15.31	17.51	14.36	12.74	15.30	20.09
Winnipeg Tribune	14.18	16.84	18.76	7.34	9.87	34.47
Edmonton Journal	20.34	24.30	19.47	18.80	21.60	14.89
Calgary Herald	14.68	17.99	22.55	13.05	16.57	26.97
Vancouver Sun	32.50 ⁽¹⁾	38.20	17.54	27.07 ⁽¹⁾	36.95	36.50

(1) Averages for 1955 derived from data in Exhibit 15 by converting revenue figures from dollars per inch to cents per line (14 lines per inch).

Sources: Exhibits 15, H-17 and H-23.

2. Management of The Province and The Sun

As previously indicated, under the agreement between The Southam Company Limited and Sun Publishing Company Limited for the joint ownership of the two newspapers the publisher of The Sun is appointed by Sun Publishing Company Limited and the publisher of The Province by The Southam Company Limited. The publisher, in each case, is responsible for all matters of editorial, circulation and advertising in connection with his paper. All employees of the respective papers, including the publishers, are paid by Pacific Press Limited. The position was described as follows in the evidence of Mr. C. F. Bailey, General Manager and Secretary of Pacific Press Limited:

"BY MR. MacINTOSH:

- Q. When you use the term 'editorial' you refer, I presume, both to news gathering function and the subject of the editorial page?
- A. I refer to news gathering, the subject of the editorial page, all cartoons, features, columns, columnists, and anything else that is presented as information, comment or entertainment for the reader.
- Q. What does Pacific Press do in connection with the publication of the paper?
- A. You use the term 'Pacific Press'. Did you intend the Limited on the end of it?
- Q. Yes?
- A. Pacific Press Limited is the Company that owns and operates all assets of the Company, but the term as quite commonly used refers to the functions of plant, machinery, properties, personnel in mechanical departments, their direction and control, negotiation of labor contracts and so on; accounting and record keeping other than the statistical information maintained by various departments within the two publication departments.
- Q. What particular information would each newspaper keep for itself?
- A. The advertising departments maintain certain advertising lineage records independently of the accounting and record departments of The Pacific Press. Similarly the circulation department maintain certain of their own records."

(Evidence, pp. 25-26)

Publishers of both papers are members of the Board of Directors of Pacific Press Limited and are present at board meetings at which financial aspects of both papers are discussed (Hearing, p. 1252).

The size of the editorial, news, advertising, circulation and promotion departments of each paper is the responsibility of the respective publisher.

After the amalgamation The Province reduced the size of its news staff as it was found that a morning paper could be published with a smaller staff than an evening paper, but the same change would have been made if The Province had moved independently to the morning field (Hearing, p. 1254).

The relationship between The Province and The Sun was described by Mr. Moscarella as follows:

"BY MR. MacLEOD:

- Q. What has been your experience since the Pacific Press has taken over?
- A. No change competitively. We are still as anxious to get the drop on the other fellow as we did in the old days. I hope that will never be stifled because that is a newspaper man's meat; competition is the life of business as far as the newspaper man is concerned.
- Q. Why should that be?
- A. Well, every newspaper competes with its rival in its field otherwise it is never going to be successful. We consider The Vancouver Sun just as much a rival today as we did prior to this new arrangement we have entered into. We compete vigorously for advertising, for news scoops, and everything of that description.
- Q. How do you compete for advertising?
- A. We compete very strongly, particularly in the retail field, where if we could get an ad away from The Vancouver Sun we would do so with a great deal of pleasure. And by the same token if they could take it away from us they would do it.
- Q. How do you compete editorially?
- A. By getting new scoops, publishing what we think is a better newspaper."

(Evidence, p. 111)

3. Advertising Rates and Policy Regarding
General Advertising

Newspaper advertising falls into three main classes which are referred to as classified, retail and general. The rates for all three classes are established in the case of The Province and The Sun by the respective publisher but in the case of general advertising a rule was adopted on amalgamation of the two papers that general advertising would be accepted only for insertion in both newspapers. The rule is stated on Rate Card Number 3 of Pacific Press Limited as follows:

"All advertisements must appear in consecutive issues of The Vancouver Sun (evening) and The Province (morning). First insertion may be in either paper."

(Exhibit 9)

Both The Province and The Sun continue to have separate advertising departments which handle classified and retail advertising for the respective papers. Prior to amalgamation each paper had had a division dealing with general advertising but these divisions were consolidated in the advertising department of Pacific Press Limited, which is responsible for placing general or national advertising in both papers. Mr. J. W. Toogood is General Advertising Manager of Pacific Press Limited.

Mr. B. M. Carter, Advertising Manager of The Province, gave the following evidence as to the nature of competition for advertising between The Province and The Sun since the formation of Pacific Press:

"Q. Yes, you were telling us about the setup?

A. Well, if there are any problems arising out of it I confer with Toogood or Leckie who is my counterpart on The Sun, he is the advertising director, and we do not always see eye to eye, in fact we have many bitter arguments about competition day in and day out.

Q. What sort of arguments do you have?

A. I claim he is being too rough and ready in his competition against us.

Q. In what way?

A. His salesmen are going around telling people all

you need to use is The Sun, that will cover the city. They have done that, and I object to that. He said, well, salesmen are human beings and they are on commission and they are out to make commission.

Q. Have you found any difference in that situation since the merger?

A. No, I think it is worse today in classified than it was. Our salesmen and the classified advertising manager are continually complaining to me that The Sun has got the volume rolling in their direction, and in plenty of instances they have gone out to take an ad out of The Province."

(Evidence, pp. 76-77)

As already indicated, retail and classified advertising remain the responsibility of The Province and The Sun respectively, much in the same way as before the formation of Pacific Press Limited. General advertising, however, is the responsibility of the latter. As previously mentioned, when the handling of general advertising in both papers was transferred to Pacific Press Limited a rule was adopted that such advertising would only be accepted for insertion in both papers.

While so-called national advertising is classed as general for purposes of rates and papers in which it is to be inserted, other advertising of a more local character may also be classed as general when its appeal extends beyond the retail trading area. Mr. B. M. Carter, Advertising Manager of The Province, gave the following evidence:

"BY MR. MacLEOD:

. . .

Q. Do you accept general advertising for publication in your paper alone.

A. We do on occasions, yes.

Q. Will you just explain that, when you do and when you don't?

A. We were a little at a loss just to know how things would work out in the beginning.

Q. When you say in the beginning what do you mean?

A. At the beginning of the combination. There were instances where something would arise which might or might not be brought to my attention. Anytime it was I ruled on it, and I would say put that in The Province only. There were instances where people from outside the city, up the Coast, would write in and instruct us to put an ad in the Province. Normally anything outside our retail trading area is charged at the general rate.

Q. When you say normally anything outside our retail trading area is charged at the general rate, what do you mean, the rate for both?

A. Well, if it goes into the general classification it should go in both papers. This would be classified as general advertising. It came in from outside of our retail area. So when the letter came into The Province I would look at it and say this man does not know the setup, put this ad in The Province only. Or we might phone The Sun and ask them whether they had a similar ad, as we didn't know whether they had sent it in to one paper or both papers, so we checked on that and we have got it down now where it is running pretty smoothly and we have very little trouble with it.

Q. When you say it is running very smoothly you mean it is being published in both papers?

A. Not necessarily, no. We do not compel that. If you walked into the office and said I want to put an ad in The Province we would first find out who you were, what type of advertising it would be, and then if you were a manufacturer or distributor they would say to you this properly should go through the Pacific Press which handles general advertising for both papers.

. . ."

(Evidence, pp. 78-80)

The combined rate for general advertising in both paper was \$1.00 per line at the time of the inquiry. This was made up of a rate of 60 cents for The Sun and 40 cents for The Province. The circumstances leading to the decision to have a combination rate and policy for general advertising were described in the evidence of Mr. J.W. Toogood as follows:

"BY MR. MacINTOSH:

. . .

- Q. When Pacific Press was formed who made the decision that a combination rate should be charged for general advertising?
- A. Well, I suppose in effect both organizations made a decision that eventually it would go along but it was mulled over for some considerable time, and from the beginning the Southam Company felt that this is what should be done; on the other hand the publisher of The Vancouver Sun was very much against it because he did not feel it was what he wanted.
- Q. Did you give advice on this subject?
- A. I gave what I considered my expert advice. I thought if it was necessary to maintain a good income from advertising from the Province that this move I recommended was essential.
- Q. Why did you think that The Province's income from general advertising might decrease if this was not done?
- A. Because, No. 1, we have the sad history of morning newspapers in Vancouver having continually gone out of business, and one had in fact just gone out of business. In addition to that you had two other morning newspapers in Canada, the Globe and Mail and the Gazette both having a great deal of difficulty with certain classifications of general advertising.
- Q. Have you any idea of how much of the advertising of The Province is obtained from general advertising?
- A. Yes, I would say that at present 50% or more of their income is derived from general advertising."

(Evidence, pp. 62-63)

Earlier Mr. Toogood had given the following evidence as to the way in which the combination rate had been worked out:

"BY MR. MacLEOD:

. . .

Q. Who fixes the advertising rates for Pacific Press?

A. The two publishers in the final analysis say how much they have to have. If a publisher says his costs are up and he felt he had to have so much a line we would have to increase our rate accordingly.

Q. What precedes the preparation of, for instance, the rate card No. 1, exhibit 7?

A. He would discuss what is going to appear. Actually the way that card was drawn up was first of all it was decided after a great deal of discussion that we would proceed on this basis as far as general advertising because every other newspaper in Canada in a similar situation had done exactly the same, so one presumed that was the accepted standard. No. 2, in the United States in all similar situations 95% of the newspapers have done exactly the same thing, so consequently this was what we felt was the way it should be done. When we had agreed upon the principle it was decided that each publisher had to have the same revenue from general advertising that he had previously, and the only way to do it was to take the two rates, put them together and then the technical work of putting the rate cards together. I just got the rate card of the Victoria papers, and changed it around to our own location, had it printed and sent it out and it was done in a hurry. I had to make one or two minor changes in detail which were not in keeping with our situation, but that was a direct copy of the two newspapers who had been running in a similar situation for some years. That is exactly the way the card is made up.

Q. But as I understand you a decision was made by the respective publishers as to what each would get, and then you add the two of them together?

A. That is correct."

(Evidence, pp. 53-54)

Mr. Balfour, in his evidence before the Commission, gave the following explanation of the adoption of the combination rate for general advertising and described the consideration which has

been given to modification of the policy with respect to the combination rate:

"BY MR. MacINTOSH:

Now Mr. Balfour, will you explain to the Commission why it was that a combination [rate] was introduced by the Province and the Sun following the agreement relating to general advertising?

- A. The morning paper field in Vancouver had been an unsuccessful and an unprofitable one as far as the advertiser was concerned. It had never been developed and it was our opinion that if the Province went over into the morning field it would lose the bulk of the general advertising, and that this in turn would have a very adverse effect on retail advertising. In Canada as a whole morning papers have not been as successful as evening papers. In most cases they are supported by ancillary activities such as commercial printing plants and the bulk of advertising goes into the evening field.

This was further complicated in Vancouver, of course, by the fact that transportation facilities militated against the success of the morning paper, and therefore it was the judgment of the sales people and the management, Mr. Cromie I think dissenting that it was essential that there should be [a] combination rate for general advertising in Vancouver.

We also took into account the fact that the Province was already carrying, when it was in the evening field-- was already carrying the bulk of the general advertising being placed in Vancouver, and that this did not constitute a major hardship for the advertiser.

- Q. Well, when you say it was already carrying the bulk, do you mean it was carrying more than the Sun or do you mean it was getting about an equal participation in the general advertising market with the Sun?
- A. Yes, most general advertisers were advertising in both the Sun and the Province.
- Q. Now, Mr. Balfour, since the arrangement has any consideration been given by management to the elimination of the combination rate?
- A. Yes.

Q. And what form did that consideration take?

A. On at least three occasions I think I have asked management to review the combination rate to see whether in its opinion the Province was well enough established in the morning field to discontinue the combination rate.

Q. And what has been the attitude of management of the Province?

A. The attitude has been very emphatic that this would have a very serious effect on the revenues of the Province, and as such, of course, the Pacific Press. Not only would the Province lose, in their judgment, a volume of general advertising, but this would, as I said before, have an effect on retail advertising. The Province at the moment is carrying more chainstore advertising, food advertising, than--I think I am correct in saying-- either the Globe and Mail or the Montreal Gazette, and this is at least partly attributable to the fact that this-- that the general food advertiser is advertising in the Province.

Q. Yes; so the combination rate remains in effect, is that correct?

A. Yes, that is right."

(Hearing, pp. 1238-40)

Later in his evidence Mr. Balfour testified:

"BY MR. MacLEOD:

Q. . . . I was wondering how your people arrived at the conclusion if you abandoned the combination rate the Province would lose heavily . . . ?

A. Well, sir, when the two papers were in the same field the national advertiser or chain advertiser tended to use both papers. Not quite equally, but a very substantial volume of chain advertising was published in the Province as well as in the Sun. When the Province went into the morning field, it was the judgment of the sales people that this advertising would dry up, and they would confine themselves entirely to the Sun. This might have-- this would have probably resulted in somewhat larger revenues for

the Sun, because instead of splitting a schedule between two newspapers, some advertisers would say, 'All right, we will spend the whole lot in the Sun,' but others would say, 'We will continue spending what we were in the Sun but will not publish in the Province at all because it is in the morning field and we do not wish to advertise in the morning field.'

This is an unproved paper, and morning papers have been notoriously weak in Vancouver.

- Q. And your conclusion, I take it, is up to the present time the Province has not yet established itself in the minds of advertisers as a fully representative metropolitan paper?
- A. I think the feeling of management here is that the risk is still too great, and as I said, the loss of national advertising would mean a loss in revenue. . . ."

(Hearing, pp. 1291-92)

The following review of the situation in Vancouver and in other cities in regard to advertising rates is given in the Statement of Evidence. The extract begins with a portion of the evidence of Mr. Toogood, General Advertising Manager of Pacific Press Limited.

"96. . . .

'BY MR. MacLEOD:

. . . .

- Q. In your experience what has been the practice? Did the big advertisers advertise in both evening papers?
- A. Yes, the figures are available. The Province carried in general advertising 93% of the lineage carried by The Sun, which is the guide, the reason being this is a big market, the third market in Canada, and consequently if big firms like General Motors, Canadian General Electric, and Imperial Tobacco when they are looking at their advertising pages and they wanted to use the daily press in Vancouver they would automatically use the same advertisements in each of the newspapers. That is

the reason why we felt this was the simplest way to do it .

Q. You spoke a moment ago of following the practice of other newspapers in Canada in a similar situation. Do you know of any other papers besides the Victoria papers?

A. Yes. Going East the first one you strike is the London Ontario papers where you have morning and evening issues. I think the name is the same, the London Free Press, and you have a circulation in the morning and a circulation in the evening, and the advertising whether it be retail, classified or general is bought in both papers. In the Province of Quebec, in Quebec City there is the Le Soleil, which is also a small circulation in the morning and a big circulation in the evening, and the same situation prevails.

BY MR. DuMOULIN:

Q. The same as where?

A. The same as here. Then New Brunswick, both Moncton and St. John have exactly the same situation. Halifax situation is exactly the same, actually not quite the same as Vancouver because in most cities classified advertising has to be purchased in both papers. There is more freedom to the advertiser in this area than in any other area with which I am familiar. The oldest one is in Charlottetown where the Thomson Dailies have just amalgamated two small papers there. Of course, in the United States there are six pages of them if you want them.

MR. DuMOULIN: Do you want him to give some of those American situations?

MR. MacLEOD: Yes.

A. Spokane is the first one you strike. Then you go down to Phoenix, Arizona; Long Beach, California; Atlanta, Georgia. There are so many of them you can jump from place to place. If you wanted a brief in writing I could give you the name

of every one and show you the percentage of those papers in combination.

. . .'

(Evidence, pp. 56-58)

97. Particulars given in Canadian Advertising confirm Mr. Toogood's statement that in all cases where two daily newspapers in the same city are under common ownership, advertisers are required to take space in both.

The rule applies in:

Victoria	- Colonist Times
London	- Free Press (morning and evening editions)
Quebec	- Le Soleil L'Evenement-Journal
Moncton	- Times and Transcript (morning and evening editions)
St. John	- Telegraph-Journal Evening Times-Globe
Halifax	- Chronicle-Herald Mail-Star
Charlottetown	- Guardian Patriot

98. All newspapers normally issue rate cards which list various rates for different types of advertising, show discounts for large advertisements or for advertisements placed a number of times, give additional charges for color advertising or for placing an advertisement in a particular position in the newspaper, and so on. However, according to the evidence of various witnesses, the general flat rate charged by a newspaper is a good index of its rates as a whole and also a good basis for making comparisons between different newspapers. In Vancouver, prior to the amalgamation, the general flat rate for The Province was forty cents and for The Vancouver Sun fifty-five cents per line (the rate for The Herald was eighteen cents). After the amalgamation, the rate

for The Province and The Vancouver Sun was fixed at one dollar per line for insertion in both newspapers. This rate was still in effect at the time this Statement was written.

99. The following table, compiled from information given in Canadian Advertising, March-April 1959, gives the circulations and general advertising rates of the newspapers in the larger cities in Canada. The table has been arranged to show the newspapers in descending order based on circulations. The general flat rate has been taken without allowances for quantity discounts or other modifications.

<u>City</u>	<u>Newspaper</u>	<u>Circulation</u>	<u>Rate</u> \$
Vancouver	Vancouver Sun	200,446	
	Province	112,210	
	Total	312,656	1.00
Toronto	Star	308,340	1.00
Montreal	La Presse	227,849	.75
Toronto	Telegram	223,329	.75
Toronto	Globe and Mail	219,253	.75
Montreal	Star (Monday to Friday)	181,784	.55
	(Saturday)	197,800	.60
Quebec City	L'Evenement-Journal	11,130	
	Le Soleil	113,208	
	Total	124,338	.40
Winnipeg	Free Press	119,212	.33
Montreal	Gazette	110,018	.35
Halifax	Chronicle-Herald	65,132	
	Mail-Star	41,465	
	Total	106,597	.36
London	Free Press (M.)	64,161	
	" " (E.)	39,562	
	Total	103,723	.32
Edmonton	Journal	101,048	.32

<u>City</u>	<u>Newspaper</u>	<u>Circulation</u>	<u>Rate</u> \$
Hamilton	Spectator	99,317	.32
Montreal	Montreal-Matin	89,235	.20
Windsor	Star	76,312	.28
Winnipeg	Tribune	72,580	.24
Ottawa	Journal	69,209	.23
Ottawa	Citizen	68,958	.23
Calgary	Herald	67,066	.25
Quebec City	L'Action Catholique	58,994	.24
Victoria	Colonist	29,852	
	Times	23,920	
	Total	53,772	.31
Calgary	Albertan	35,202	.18
Ottawa	Le Droit	29,401	.14
Sydney	Cape Breton Post	24,864	.16
Quebec City	Chronicle-Telegraph	5,621	.09

100. Rates to local advertisers who are allowed to advertise in one paper only have remained unchanged for The Province but have been increased for The Vancouver Sun. The starting classified rate has been increased from thirty-five cents to thirty-seven cents per line and the starting retail rate from fifty-five to fifty-seven cents per line. These starting rates are subject to discounts based on lineage or the number of times an advertisement is inserted. The corresponding rates for The Province are twenty-eight for classified and forty cents for retail, both subject to similar discounts."

4. Consolidation of the Publishing Operations
of The Province and The Sun

The following review of the evidence relating to the co-ordination of the publishing operations of The Province and The Sun is contained in the Statement of Evidence:

"82. As already mentioned, the situation prior to the agreement to amalgamate the two newspapers was that no extensive renovations had been made to the plant in which The Province was published, but land had been purchased 'somewhat in advance of requirements' for a new plant. In the case of The Vancouver Sun, a new building known as the 'Mechanical Building' had been constructed to house its presses. It was planned that this building would eventually be expanded to house all the operations connected with publishing The Vancouver Sun newspaper.

83. At the time of the amalgamation, it was considered by all parties that the Mechanical Building could be expanded to take care of the publication of both newspapers and all the operations of Pacific Press Limited. However, further engineering studies made after the amalgamation raised doubts that the premises occupied by the Mechanical Building could support such expansion. These doubts arose because of the limited amount of land held or procurable and because of certain questions relating to air rights. In any event, as a result of the further studies, Pacific Press Limited was faced with the problem that, while it could expand its facilities at the site of the Mechanical Building considerably, it might eventually find that these facilities were too small for its operations. The urgency of the situation appears to have been eased by the economic recession of 1957. Giving evidence on June 17, 1958, St. Clair Balfour, Jr., Executive Vice-President of Southam (and a Director of Pacific Press Limited) said in part:

'BY MR. MacLEOD:

. . .

Q. Has any final decision been made yet as to when the proposed expansion of the facilities of Pacific Press will be started?

A. No. It is being studied and has been discussed by the board of Pacific Press at every meeting we have had.

- Q. Yes. Is it a matter of urgency?
- A. It is not as urgent as we first believed.
- Q. How long do you think you could satisfactorily carry on -- that is Pacific Press could satisfactorily carry on -- under the existing facilities?
- A. It depends to a considerable extent on what happens to the economics of the country. If we had continued to grow as the country had been growing in 1956, I think we might have had to be ready to move in three years, but if it does not continue at that rate, it will be stretched out.
- Q. Have the plans which were formulated at the time Pacific Press was set up -- that is the plans for expansion -- been modified in any way? Have they been reviewed and changed, or anything like that?
- A. There were no firm plans for Pacific Press as such. We thought we were going to be able to use the new Sun mechanical building, but we have found - our engineers advise us that this would not be adequate for a long-term development for Pacific Press embracing two newspapers.
- Q. I understand the land available is too small. Is that the idea?
- A. That is correct.'

(Evidence, pp. 1018-19)

84. The present situation is that the Mechanical Building, so called, at 720 Beatty Street is being used to print both newspapers. Although it is not mentioned in the latest letter from C. F. Bailey, Secretary of Pacific Press, oral evidence given in Vancouver indicates that the presses in the former Province plant are being used for printing the weekly comics for both newspapers. At the time of the hearings in Vancouver, the following schedules were filed as Exhibits 11 and 12:

'Daily Edition Schedule
The Vancouver Sun

	<u>Press</u> <u>Run</u> <u>Start</u>	<u>Press</u> <u>Run</u> <u>End</u>
Noon Edition		
and Vancouver Island Edition	9:30 a.m.	10:00 a.m.
Fraser Valley Edition	10:47 a.m.	11:15 a.m.
Home Edition		
North Vancouver		
New Westminster	1:05 p.m.	2:00 p.m.
Home Edition		
Vancouver	1:45 p.m.	3:40 p.m.
Buff Edition		3:00 p.m.

May 29, 1958'

(Exhibit 11)

'Daily Edition Schedule
The Vancouver Province

	<u>Press</u> <u>Run</u> <u>End</u>
Country	9:45 p.m.
Valley	12:20 a.m.
1st Metro	1:20 a.m.
2nd Metro	3:10 a.m.
Final	3:35 a.m.

May 29, 1958'

(Exhibit 12)

It will be recalled that Mr. Cromie, Publisher of The Vancouver Sun, spoke of difficulties experienced at peak periods and of the necessity of operating the presses on a 'collect run' system and of doing pre-runs of parts of the newspaper (he was referring to The Vancouver Sun) to handle peak days. He referred to the awkwardness of pre-runs because the presses were required for The Province as well (Evidence, pp. 165-66). Mr. Cromie said that difficulties with 'collect runs' or pre-runs would raise the question of whether it was worthwhile to buy new presses to serve peak days. According to Mr. Bailey's recent letter, additional presses are now on order for installation in the Mechanical

Building as an interim measure. However, the original plan to expand operations on that site to include all operations of both newspapers has definitely been abandoned and present plans call for a completely new plant on another site. Efforts to secure such a site are now being made. Until such time as a new plant is completed, the editorial, accounting and other operations ancillary to the actual printing of the newspapers will probably continue to be carried on in the old Province plant and the old Sun Plant (Tower Building)."

At the hearing before the Commission Mr. Balfour stated that the question of building an entirely new plant to house all operations of The Province, The Sun and Pacific Press Limited was being studied. He said:

"BY MR. MacLEOD:

. . .

A. Yes, we have acquired property. Pereira Company has been retained to make--they have made one engineering study of it to see if the site was adequate, and the management of the Pacific Press is now exploring the whole field of new building with a view to determining just exactly when we will have to start.

Q. Have any firm decisions been made about the new building yet? It is still in the exploratory stage?

A. Yes.

Q. What are you exploring? The possibility of building a completely new plant?

A. Yes.

Q. Away from the present sites of any of the Sun or Province buildings?

A. Yes."

(Hearing, p. 1245)

Mr. Balfour was asked when it would be necessary to construct the new plant for Pacific Press Limited and gave the following evidence:

"BY MR. MacLEOD:

Q. When do you contemplate it will be necessary to go ahead with the new plant for Pacific Press Limited?

A. I think I would answer that by saying, Mr. MacLeod, that it depends on how much inconvenience we are prepared to put up with. The pressure is off on the Province now because we are able to use the Sun's capacity and the Sun's size is the governing factor as far as press is concerned. As long as the larger paper could be produced in the afternoon, obviously the smaller paper can be produced at night on the same presses. Now, we have had to enlarge those presses. There has been a steady increase in the investment since the time the Pacific Press was formed in the Sun mechanical building, and the pressure is off other departments by virtue of our having now three office buildings in which--into which personnel can be shifted in order to accommodate them.

Q. Yes?

A. But it is obviously a very unsatisfactory state of operations with the buildings scattered several blocks apart.

Q. That it [sic] it is difficult if you operate most efficiently with your personnel scattered around?

A. Yes . . ."

(Hearing, p. 1247)

The general office and plant arrangements in regard to the two newspapers as they appear from the evidence may be stated in the following way. The printing of both The Province and The Sun, except for the weekly comics, was being conducted in the press room at the former Sun Mechanical Building. This building also housed the stereotype department, except for a part in the Sun Tower Building, and the mailing rooms for both papers. The Sun Tower Building contained the editorial, circulation, advertising and executive departments of The Sun and the typesetting, mat-making and composing departments for both papers. The Province Building contained the editorial, circulation, advertising and executive departments of The Province and the offices of Pacific Press Limited. The Province Building also housed the engraving department for both papers and the press on which the comic sections for both papers were printed.

CHAPTER VIII

FINANCIAL ASPECTS OF THE AMALGAMATION

A review of the financial results of the amalgamation in the period immediately following the formation of Pacific Press Limited is given in the Statement of Evidence from which the following is quoted:

"102. For the last full year of independent operation (i.e., 1956), the net profit of Sun Publishing Company Limited was \$950,407 and the net profit of The Province Division of The Southam Company Limited was \$191,459. Southam's financial year is the same as the calendar year and its figures are for December 31, 1956. Sun Publishing Company's financial year ends August 31 and its figures are for August 31, 1956.

103. The net profit of The Southam Company Limited as a whole for 1957 was \$2,669,108. Insofar as these profits reflect earnings in Vancouver, they would be based on independent operation of The Province until June, and dividends and interest payments from Pacific Press Limited during the remainder of the year. Net profit for 1958 was \$3,427,950 [for The Southam Company Limited].

104. The net profit of Sun Publishing Company Limited for its financial year ending August 31, 1957, was \$840,307. This reflected only about ten weeks of the period following the consolidation, a period during which, according to D.C. Cromie's (President of Sun Publishing Company Limited) report to the shareholders, Pacific Press Limited did not yield a significant profit because of general adjustments and the cost of changing The Province to a morning newspaper. Following the consolidation, Sun Publishing Company Limited became, of course, an entirely different company. From one actively engaged in publishing, it became a company holding shares and bonds of a publishing company and it had, as part of the sale of its assets, received \$3,850,000. Hence, its earnings since the consolidation, although they reflect to some measure the earnings of Pacific Press Limited, are not necessarily directly related to such earnings. This is indicated

in the summary of the company's Annual Report for the year ending August 31, 1958, as reported in The Financial Post on December 27, 1958:

'SUN PUBLISHING CO., Vancouver, consolidated net profit of \$263, 906 for the year ended Aug. 31, 1958, was 68.6% lower than previous fiscal year's \$840, 307.[1]

Dividends from Pacific Press Ltd., are reflected for first time in company's newspaper earnings, rather than direct publishing profits of The Vancouver Sun. (In May, 1957, Sun Publishing and Southam Co. incorporated Pacific Press Ltd. to be owned equally and to produce The Vancouver Sun and Southam's The Province.)

Value of company's equity in Pacific Press at Aug. 31, 1958, had increased by approximately \$450, 000, President Donald Cromie reports. Equity increase is not included in company's accounts because Pacific Press is not a controlled subsidiary.

Advertising lineage (up 3% over 1956-57 to 29.2 million lines) and revenues both attained new records this year, the president says.

Average net paid circulation in August, 1958, was 199, 706, down 4.7% from August last year. Mr. Cromie attributes this to a subscription rate increase in January, 1958, and to unemployment during the spring and summer. He adds that as of Dec. 4, 1958, circulation has recovered to "just over " 211, 000, and continues to increase.

. . .'

-
- [1] The net profits of Sun Publishing Company Limited as reported in the published statements of the company have been as follows for the company's financial years 1956, 1957, 1958 and 1958:

Year Ended	
August 31, 1956	\$950, 407
1957	840, 307
1958	263, 906
1959	455, 138

105. The agreement for the formation of Pacific Press Limited provided for monthly financial statements of that company's operations to be prepared. These statements show the earnings and expenses attributable to the publication of each newspaper, the gross profit or loss for each and the total gross profit or loss. Depreciation, debenture interest and other interest charges and income taxes are then subtracted from the total gross profit (or added to the loss) to give the net profit or loss of Pacific Press Limited. Actually, in some of the statements, certain of these expenses are apportioned against each newspaper, but the more usual practice is to treat them as general expenses of Pacific Press Limited and they are so treated in the table below. This table has been prepared from copies of the statements and shows, for each month from June 1957 to December 1958, (1) gross profit or loss for The Vancouver Sun; (2) gross profit or loss for The Province; (3) total gross profit or loss; and (4) net profit of Pacific Press Limited ('L' stands for loss).

<u>Month and Year</u>	<u>Gross Profit The Van- couver Sun</u>	<u>Gross Profit The Province</u>	<u>Total Gross Profit</u>	<u>Net Profit Pacific Press Limited</u>
1957				
June	93,149.82	139,690.01L	46,540.19L	82,768.27L
July	125,164.34	130,133.62L	4,969.28L	72,981.48L
August	160,991.65	104,980.47L	56,011.18	12,001.02L
September	163,355.10	76,399.12L	86,955.98	14,654.04
October	234,967.54	60,141.04L	174,826.50	104,334.62
November	247,896.58	39,420.59L	208,475.99	138,638.46
December	141,939.57	89,728.93L	52,210.64	19,710.52L
1958				
January	174,763.03	134,491.47L	40,271.56	28,339.04L
February	222,667.88	84,375.37L	138,292.51	94,116.80
March	319,200.51	9,040.24L	310,160.27	243,379.65
	<u>1,884,096.02</u>	<u>868,400.86L</u>	<u>1,015,695.16</u>	<u>379,323.24</u>

(At this point, the total net profit for Pacific Press Limited, as shown by totalling the last column, would be \$379,323.24. An audit covering the whole period resulted in adjustments to the figures shown on the monthly statements, total gross profit was revised to \$1,326,414.00 and net profit was revised to \$423,476.00. Also, after this point, odd cents are not shown.)

April	321,900	5,460	327,360	206,629
May	325,600	5,563	331,163	83,621
June	299,894	4,165L	295,729	127,259
July	243,812	31,497L	212,315	82,390
August	230,328	35,300L	195,028	74,412
September	260,336	21,686L	238,650	117,181
October	329,172	4,074	333,246	148,105
November	266,361	5,928L	260,433	118,866
December	202,740	50,810L	151,930	42,166
	<u>2,480,143</u>	<u>134,289L</u>	<u>2,345,854</u>	<u>1,000,629*</u>

* The total shown on the consolidated statement is \$1,000,729.

106. Pacific Press Limited also furnished the Director with a consolidated statement showing earnings (1) for the period June 14, 1957, to March 31, 1958; (2) from April 1, 1958, to December 31, 1958; and (3) the total earnings for the whole period (it will be noted that the final figure for total net earnings is wrong because of the transposition of the two last figures, i.e., it should be \$1,424, 205 and not \$1,424, 250 as shown.

Schedule 2.

'PACIFIC PRESS LIMITED
PROFIT AND LOSS STATEMENT
June 14th, 1957 to December 31, 1958

	June 14/57 - Mar.31/58 (per Audited Statements)	April 1/58 - Dec.31/58 (per monthly statements to Directors)	June 14/57 - Dec.31/58
<u>REVENUE:</u>			
Dept. Stores	\$ 1,731,216	\$ 1,713,673	\$ 3,444,889
Other Retail	2,281,368	2,228,668	4,510,036
Total:	\$ 4,012,584	\$ 3,942,341	\$ 7,954,925
National	3,691,748	3,693,942	7,385,690
National Comic	39,543	31,083	70,626
Classified	3,133,616	3,257,371	6,390,987
Total Advt. Revenue	\$ 10,877,491	\$ 10,924,737	\$ 21,802,228
Circulation	3,583,239	3,742,945	7,326,184
Misc. Revenue	15,940	8,632	24,572
Weekend Magazine	19,740		19,740
Area Editions		2,734	2,734
Total Revenue	\$ 14,496,410	\$ 14,679,048	\$ 29,175,458
<u>EXPENSE:</u>			
Editorial	\$ 1,849,822	\$ 1,710,550	\$ 3,560,372
Editorial Page	99,747	105,380	205,127
Weekend		2,000	2,000
Circulation	1,736,092	1,440,622	3,176,714
Advertising	885,768	873,591	1,759,359
Comp. & Metal	1,393,507	1,476,442	2,869,949
Stereo	240,577	262,758	503,335
Press Room	477,904	448,616	926,520
Mailing Room	429,676	425,491	855,167
Paper	3,871,854	3,425,882	7,297,736
Ink	142,960	153,013	295,973
Mech. Auto	45,521	15,994	61,515
Overhead	1,200,250	813,648	2,013,898
Business Office	545,370	766,834	1,312,204
Buildings	270,679	412,373	683,052
Total Expense	\$ 13,189,727	\$ 12,333,194	\$ 25,522,921

[Table continued on following page]

	June 14/57 - Mar.31/58 (per Audited Statements)	April 1/58 - Dec.31/58 (per monthly statements to Directors)	June 14/57 - Dec.31/58
Profit before depreciation, debentures & other interest:	\$ 1,306,683	\$ 2,345,854	\$ 3,652,537
Add: B.C. Telephone Directory	19,731		19,731
Profit or Loss, F.A. Disposals	<u>3,486-</u>	<u>12,582</u>	<u>9,096</u>
	<u>\$ 1,322,928</u>	<u>\$ 2,358,436</u>	<u>\$ 3,681,364</u>
Deduct: Bond & Other Interest	\$ 408,724	\$ 353,079	\$ 761,803
Depreciation & Amortization	101,909	196,105	298,014
Directors Fees	3,332		3,332
Incorporation ex- pense	<u>8,487</u>	<u></u>	<u>8,487</u>
	<u>\$ 522,452</u>	<u>\$ 549,184</u>	<u>\$ 1,071,636</u>
Net Profit before Income Tax	<u>\$ 800,476</u>	<u>\$ 1,809,252</u>	<u>\$ 2,609,728</u>
Provision for taxes on income	<u>\$ 377,000</u>	<u>\$ 808,523</u>	<u>\$ 1,185,523</u>
Net Income for the period	<u><u>\$ 423,476</u></u>	<u><u>\$ 1,000,729</u></u>	<u><u>\$ 1,424,250</u></u>

Note: The Company is writing depreciation at a rate below that permitted for income tax purposes. ' "

The gross profits and losses of The Province in the period subsequent to December, 1958 have been given earlier in this report in Table 19. In the period since the amalgamation the operations of The Province resulted in an operating loss of \$644,975 for June-December, 1957, an operating loss of \$362,195 in the calendar year 1958 and a loss of \$400,728 in the period January-November, 1959.

At the hearing before the Commission it was stated that the net profit of Pacific Press Limited was \$824,000 for the nine months ended December 31, 1959 compared with \$958,000 for the same period in 1958. For the company's full year in 1959 it was expected that net profits would be \$100,000 less than for the year 1958 (Hearing, pp. 1295-96).

The Statement of Evidence also presented some comments on the financial results of the amalgamation which are largely of a factual character. No issue was taken with these comments by the parties represented except that certain projections of annual results on the basis of figures for nine months were questioned because of the fluctuation in earnings from quarter to quarter. As the comments of the Director in the Statement of Evidence are of assistance in considering the financial data they are here quoted:

"107. (1) In its last year of independent operation, Sun Publishing Company Limited reported net earnings of \$950,407. This was for the year ending August 31, 1956, and these earnings were almost wholly the result of earnings of The Vancouver Sun, those from other company operations being negligible. In its last year of independent operation, The Province Division of The Southam Company Limited reported net earnings of \$191,459.99. This was for the year ending December 31, 1956. Thus, although the financial years do not coincide, a rough estimation of total earnings per year for the two newspapers, obtained by adding the two together, is \$1,141,866.99.

(2) As will be seen from the figures already set out, net earnings of Pacific Press Limited for the nine-month period (actually nine months and two weeks) June 1957 to March 1958 were \$423,476 and for the nine months April to December 1958 were \$1,000,729. Proportionately, these would equal yearly earnings of \$534,917 and \$1,334,305 respectively.

(3) Actually, a comparative earnings after the amalgamation seem to have been higher than these figures indicate because of the different capital structure of Pacific Press Limited. Both The Province and The Vancouver Sun plants appear to have been built up over the years largely by

shareholders' investments in stock and by expansion out of profits. Outstanding bonds of Sun Publishing Company Limited (less sinking fund payments) taken over by Pacific Press Limited amounted to \$630,000. When Pacific Press Limited was formed, it issued bonds to the amount of \$7,700,000 and shares for only \$1,600,000. Thus, the new company, carrying on essentially the same business and from the same plants, assumed an interest charge of \$423,500 (five and a half per cent on \$7,700,000) annually which, of course, would be a charge against gross profit before any net profit would be shown. To put it another way, if Pacific Press Limited had issued shares only, its net earnings would have been reported as being \$423,500 per annum higher. This observation does not, of course, imply any criticism of the method of financing used. It is simply to point out that, in making comparisons, this fact should be remembered.

(4) Since the amalgamation and up to the end of 1958, the monthly statements of Pacific Press Limited show that the operations of The Vancouver Sun resulted in a gross profit of \$4,364,239, while the operations of The Province resulted in a gross loss of \$1,002,689. As noted above, the figures shown in the monthly statements were adjusted when the accounts for the period June 1957 to March 1958 were audited. This resulted in the total gross profit for Pacific Press Limited being revised from \$1,015,695 to \$1,306,683, an increase of \$290,988. The adjusted statement does not indicate how the increased gross profit should be apportioned between the two newspapers, but the effect of such an apportioning would undoubtedly be to increase the gross profit on The Vancouver Sun and decrease the gross loss on The Province from the figures shown, but only by a small percentage.

(5) If the net profits for the two accounting periods between June 14, 1957, and December 31, 1958, are projected to their equivalent for a twelve-month basis, the resulting figures, as already noted, are:

	<u>Actual</u> \$	<u>12-month basis</u> \$
June 14, 1957, to March 31, 1958	423,476	534,917
April 1, 1958 to December 31, 1958	1,000,729	1,334,305

The rate of earnings for Pacific Press Limited was therefore lower for the first period but higher for the second period than the combined earnings of the two newspapers when they were operated independently. This is due to the large

earnings from the operation of The Vancouver Sun which have been high enough to offset the losses on the operation of The Province, to pay increased fixed interest charges, and still allow Pacific Press Limited to show a greater profit than the total profit from the two newspapers when they were operated independently.

(6) During the first accounting period after the amalgamation, expenses for The Province increased while revenue from circulation and advertising declined, resulting in a substantial loss. During the second accounting period, expenses declined but revenue from advertising and circulation also declined, resulting in a loss considerably smaller than during the first accounting period. In the case of The Vancouver Sun, expenses increased during both accounting periods but these were more than offset by increases in revenue from advertising and circulation, so that it showed an increased profit during the first accounting period and a further increased profit during the second accounting period. These trends are illustrated by the following table which attempts to show the situation if publishing operations only are considered without taking account of interest, depreciation, taxes and other factors. For the reason given in the notes, certain figures are only approximate. Figures in brackets represent the projection of the figures for the nine and one-half and the nine-months periods projected to proportionate figures for a twelve-month period.

	THE PROVINCE			THE VANCOUVER SUN		
	12 months to Dec. 31, 1956	9 months, March 31, 1958	2 weeks to March 31, 1958	9 months to December 31, 1958	12 months to Aug. 31, 1956	9 months, March 31, 1958
Revenue	\$	\$	\$	\$	\$	\$
Advertising	5,031,443	3,317,248	(4,190,208)	3,178,416	8,331,172	7,746,321
Circulation	1,528,448	1,161,768	(1,467,496)	995,838	2,452,578	2,747,107
				(1,327,784)		(3,662,809)
Total	6,559,891	4,479,016	(5,657,704)	4,174,254	10,783,750	10,493,428
Expenses	6,240,124	5,349,886	(6,757,751)	4,309,604	8,637,318	8,023,590
Difference	319,767	-870,870	(-1,100,047)	-135,350	2,146,432	2,469,838
				(-180,467)		(3,293,117)

Notes: 1. The 1956 figures for revenues from advertising and circulation are from the returns of information. The figures for such revenues for the two later periods are from the monthly statements of Pacific Press Limited. The audited statement covering the period ending March 31, 1958, revised these figures and showed advertising revenue as \$4,760 less, but circulation revenue as \$3,783 more. These adjustments are not apportioned between the two newspapers so the unrevised figures have been used.

2. Miscellaneous revenues, which were small, have not been included.

3. Expenses for The Province for 1956 are from the financial statements submitted with the returns of information.

4. Expenses for The Vancouver Sun for 1956 were calculated by subtracting the gross profit of Sun Publishing Company Limited from the advertising and circulation revenues of The Vancouver Sun given in the returns of information. Since the company's profits reflected other activities than publishing the newspaper, there is undoubtedly some error.

5. Expenses for both newspapers for the two accounting periods after June 1957 are from the monthly statements. The audited statement for the period ending March 31, 1958, revised total expenses by showing them as \$271,112 less than shown on the monthly statements. The adjustment is not apportioned between the two newspapers so the unrevised figures have been used. It should be noted that, in this instance, the revision is fairly large.

(7) From the foregoing, it appears that the improved earnings in the latter part of the period since the amalgamation, as contrasted to previous earnings, are due to increased earnings from the operation of The Vancouver Sun. An examination of the monthly and consolidated statements does not reveal any significant economies because of the consolidation of operations. There have, in fact, been some savings. Editorial expenses of The Province have been reduced, but this is largely the result of its becoming a morning newspaper which does not require so many special features and the like. It is not a direct result of the co-ordination of publishing operations. According to C.F. Bailey, General Manager and Secretary of Pacific Press Limited, certain savings in labour costs will result after the present contracts run out and new ones are negotiated. However, the main saving claimed is on the hypothetical basis of what would have been the situation if the two newspapers had continued to be published independently. Mr. Bailey estimated this as at least \$500,000 and, in the letter already set out, said in part:

'With respect to items (a), (b) and (c), if the Sun and Province had continued under separate ownership, approximately the same stage of development would have been reached, but solely for the production of the Sun. Concurrently with this, The Southam Company Ltd. would have had their proposed new plant in course of construction and this, when completed, would have approximately duplicated the completed Sun plant.

It would not be possible to determine exactly the amounts of annual depreciation charges, maintenance costs and financing costs that have been eliminated by avoiding duplication of new plant facilities. A reasonable estimate could be made, however of \$500,00.00 [should read "\$500,000.00"] per year.'

(8) The sale price of the assets of Sun Publishing Company Limited which were sold to Pacific Press Limited was \$8,500,000 which was made up of \$2,250,000 for tangible assets and \$6,250,000 for franchises and goodwill. Thus, the intangible assets and goodwill of The Vancouver Sun were capitalized in the new company at \$6,250,000. It would be unrealistic to consider the value of The Vancouver Sun, which was then earning a net profit of \$950,407 per year, as being only the book value of its assets, viz. \$2,250,000, and the value placed on goodwill and other intangible assets does not appear open to criticism. However, it should be remembered

that the main economy which was hoped for from the formation of Pacific Press Limited was that only one plant instead of two would have to be built. With Pacific Press Limited starting off by paying \$6,250,000 for franchises and goodwill and still having to build the new plant, its total expenditure may very well equal or exceed the expenditures which would have been necessary if two separate new plants had been constructed.

(9) The position of The Southam Company Limited as the result of the amalgamation is that it acquired a one-half interest in a company now earning profits of approximately \$1,500,000 annually for an investment of \$800,000 in shares (in effect, it exchanged the former Province plant for these shares) and \$3,385,000 in bonds. In addition to its interest in the profits of Pacific Press Limited by reason of the shares, it also receives five and a half per cent interest on the bonds and will, of course, be repaid the principal amount.

(10) The position of Sun Publishing Company Limited is that it received \$8,500,000 for the physical plant, franchises and goodwill of The Vancouver Sun. As a result of transfers of bonds, it received \$3,850,000 in cash and holds \$800,000 (par value) in shares and \$3,850,000 in bonds. Thus, in addition to the cash received, it has, like The Southam Company Limited, a one-half interest in Pacific Press Limited and a right to five and a half per cent interest on the \$3,850,000 in bonds and to the repayment of the principal.

(11) While the earnings of Pacific Press Limited are presently of the order of \$1,500,000 annually, the company is faced with the necessity of a heavy capital expenditure for a new plant in the near future."

CHAPTER IX

SOME GENERAL CONSIDERATIONS RELATING TO THE AMALGAMATION

1. Situation with Respect to Advertisers

The Statement of Evidence summarizes the Director's conclusions as to the import of the evidence in the inquiry relating to the position of advertisers in The Province and The Sun in the following way:

"101. The evidence appears to support the following conclusions about the effects of the amalgamation on advertisers:

(1) Despite the rule requiring general advertising to be placed in both newspapers, large national advertisers are not significantly affected. Witnesses from three large advertising agencies, who gave evidence during the inquiry, agreed on this.

(2) Local advertisers, where advertisements fall within the class of general advertising, are adversely affected because of the rule requiring that such advertisements be placed in both newspapers. Because of the discretionary power to waive the rule in the case of local advertisers and because of the difficulty of determining how many such advertisers would use both newspapers in any event, it is difficult to estimate the overall effect of the rule on this class of advertiser. Apparently, exceptions to the rule are not made as a matter of course, but must be actively sought and can only be granted by senior officials such as J. W. Toogood, General Advertising Manager of Pacific Press Limited, or B. M. Carter, Advertising Manager for The Province. Extracts from the oral evidence of both Mr. Toogood and Mr. Carter have been set out above. The situation is further illustrated by the evidence of Brendan Kennelly which appears in the Evidence at pages 39 to 42. In

brief, Mr. Kennelly, a member of the Princeton Centennial Committee, was allotted a small sum for advertising the Centennial and tried to place an advertisement in The Vancouver Sun. He was told that display advertising was only sold on a combination basis at one dollar per line. As the cost of the proposed advertisement on this basis would exceed his allocation, he did not pursue the matter further. His allocation would, in fact, have covered an advertisement in one newspaper only.

(3) Subject only to the slight increase in rates put into effect by The Vancouver Sun, local retail advertisers are not significantly affected. One point about this increase may be noted. While the reason for the increase was stated to be increased costs, at the time this increase was put into effect it appears doubtful that the additional revenue was required by The Vancouver Sun as such. Rather it would seem that additional revenue was required by Pacific Press Limited because of the heavy losses being sustained on the publication of The Province and that the increase was made in the rates for The Vancouver Sun simply because its advertising was less likely to be adversely affected by such an increase. In other words, while the matter would involve business judgment, it appears doubtful that an increase in these rates would have been made if The Vancouver Sun had continued as an independent newspaper.

(4) No evidence was taken from classified advertisers but, subject to the same comment on the rate increase for such advertising, presumably the class of advertiser is not adversely affected."

It will be noted that with respect to almost all aspects of advertising the Director did not conclude that any group had been significantly affected by the amalgamation of The Province and The Sun. Question was raised as to the position of local advertisers who wished to place a general advertisement in one paper only and who, as in the case of the only instance referred to in the evidence, would not have their advertisements accepted for one paper but would be required to place an advertisement in both papers at the combined rate in order to have it accepted. It is obvious that a prospective advertiser who is required to pay for two advertisements at a larger cost when he desires only one or who is unable to advertise because he is not permitted to place an advertisement in one paper when that is all he is prepared to do is prejudiced by such use of a combined

rate for general advertising. In the opinion of the Commission the operation of a combined advertising rate in such circumstances must be considered detrimental. It is not possible on the basis of the evidence in the inquiry to reach any conclusion as to the amount of advertising which is not accepted because the prospective advertiser was not willing to have his advertisement inserted in both papers, or the amount of general advertising which is placed in both papers because the advertisers could not advertise otherwise, under the rule of Pacific Press. Also it is not possible to say the amount of advertising which is published in one paper only through the exercise of the discretion which is entrusted to the respective advertising managers.

In defence of the combination rate for general advertising it was submitted on behalf of the parties that the maintenance of the combination rate is considered necessary by the management of The Province as without it the difficulties in developing a metropolitan morning paper would be even more serious than they now are. It was also indicated that on at least three occasions the management of The Province had been asked by Mr. Balfour to review the situation to see if the combination rate could be discontinued and had come to the conclusion that the abandonment would result in a serious loss of advertising revenue.

In reply to the Director's comments on the slight increase in rates for retail advertising, it was pointed out in argument that the evidence in the inquiry shows that the decision as to changes in advertising rates or in newspaper prices is solely that of the individual paper, in this case the decision of The Sun, and not a matter of joint arrangement. It was also submitted that in the same period advertising rates have been increased in other cities and there was nothing exceptional in the slight increase in the advertising rates of The Sun.

2. Colour Advertising

In earlier sections of this report the evidence has been reviewed which relates to the position of The Province vis-a-vis The Sun, prior to the amalgamation, with respect to colour advertising. There is no question but that the use of colour is increasing in the advertising field but, at the same time, there are instances of large newspapers continuing publication without the use of colour or with limited provision for colour advertising. Mr. Balfour referred in his evidence before the Commission to the situation in New York City where the large metropolitan dailies are published in black and white. Mr. Balfour pointed out that in New York so many presses are required to publish an edition of one paper that unless a large number of presses

were converted to colour the paper would still have to be produced in black and white. So far no New York paper has undertaken the heavy investment which full colour publication would require (Hearing, p. 1273). Somewhat similar situations have existed in Montreal and Toronto with respect to colour advertising. According to the November-December, 1959 issue of Canadian Advertising the evening papers in Montreal do not accept colour advertisements and in Toronto colour advertisements are accepted on a limited basis. The extent to which leading Canadian newspapers are prepared to accept colour advertising is shown in the following table:

Table 23

Availability of Colour Advertising in Leading
Canadian Newspapers

City	Newspaper	Days Open For			Deadline	
		B/1c	B/2c	B/3c	Reservation	Material
Montreal	La Presse	colour	not accepted			
	Star	colour	not accepted			
	Gazette	daily	daily	daily	(B/1 c 4 days B/2-3 c 10 days)	2 days) 5 days)
	Montreal-Matin Le Devoir	... daily	n/a n/a	n/a n/a	1 week 4 days	1 week 2 days
Toronto	Star	daily	limited	limited	10 days	5 days
	Telegram	daily	limited	Mon.	7 days	5 days
	Globe and Mail	daily	M.Tu.W.F.	Tu-W	10 days	72 hrs.
Vancouver	Vancouver Sun) Province)	daily	daily	daily	4 days	2 days
Winnipeg	Free Press	daily	daily	daily	. . .	48 hrs.
	Tribune	daily	daily	daily	48 hrs.	48 hrs.
Quebec City	L'Événement Journal	colour	not accepted			
	Le Soleil	daily	daily	daily	8 days	8 days
	L'Action Catholique	daily	daily	n/a	72 hrs.	48 hrs.
	Chronicle Telegraph	daily	n/a	n/a	7 days	4 days
Hamilton	Spectator	daily	daily	daily	4 days	4 days
Edmonton	Journal	daily	full colour available		4 days	4 days
Ottawa	Journal	daily	daily	daily	4 days	4 days
	Citizen	daily	daily	daily	6 days	4 days
	Le Droit	daily	ex. W-Th.		4 days	2 days
Windsor	Star	daily	daily	daily	4 days	4 days
Calgary	Herald	daily	n/a	n/a	1 week	4 days
	Albertan	daily	daily	n/a	4 days	4 days
Victoria	Colonist) Times)	daily	daily	daily	4 days	4 days
London	Free Press(M))	daily	daily	daily	4 days	2 days
	Free Press(E))					
Halifax	Chronicle-Herald) Mail-Star)	daily	daily	daily	10 days	5 days
Sydney	Cape Breton Post	daily	daily	daily	3 days	3 days

Source: Exhibit H-27, Canadian Advertising, November-December, 1959.

It will be seen from the foregoing table that most of the larger daily newspapers are equipped to produce colour advertising although some require that the advertisements be placed considerably in advance of the day of publication. Any reader of a newspaper will be aware, of course, that coloured advertisements still form a very small part of the total advertising which appears in a daily paper. The frequency of coloured advertisements in daily newspapers appears likely to increase in spite of the higher advertising rates for them and the mechanical limitations which arise in their use in a daily paper. The Southam Company Limited installed colour presses for The Edmonton Journal, although it is the only daily newspaper in Edmonton, and is planning to equip The Calgary Herald with colour presses (Hearing, p. 1179).

CHAPTER X

CONCLUSIONS AND RECOMMENDATION

1. An Independent Press and the Public Interest

The role of the press in our democratic society has been so long established and is so pervasive that it is often taken for granted without consideration of the conditions which enable the press to perform its role. In using the term "the press" we shall be referring particularly to the daily newspaper.

The conduct of our affairs in a democratic manner both locally and nationally is dependent upon the formation of public opinion. If the public can not get the significant facts about what is going on, if it can not get them sorted out in a significant way, if it is not enlightened by discussion that points out the possible consequences of the alternative courses of action before the community, too many opinions will be ill-informed and muddled and likely to be temporary and unstable. If well-informed public opinion is an essential of sound public policy then the channels through which information flows to the members of the public have an importance which cannot be over-emphasized.

Most of the channels of information are provided and have to be provided by the mass media of communication. Sections of the public are reached by magazines of opinion and by the spoken voice but the public generally is reached by the mass media: the press, radio and television.

Among these channels of communication the press remains the prime medium of communication for the purpose of assisting in the formulation of public opinion. For this purpose radio and television are less effective because of the impermanence of their messages, the restricted numbers of channels available and the limitations of the periods during which information can be conveyed. A newspaper report can usually provide more details of events and a fuller account of the context in which they have occurred. It is adaptable to the consideration of the reader who stops to absorb and think. The newspaper can be laid down and picked up again for further examination or the re-checking of some part. The pace of

radio and television, on the other hand, is beyond the control of the audience and the fleeting sound and sight must be followed as they are broadcast. When the programme, of whatever kind, comes to an end, vivid impressions may remain, but the detailed information and the sequence of argument are hard to recall.

In this connection we may refer to the views of the Royal Commission on the Press in Great Britain which were quoted in the report of the Royal Commission on the Arts, Letters & Sciences as follows:

"The democratic form of society demands of its members an active and intelligent participation in the affairs of their community, whether local or national. It assumes that they are sufficiently well informed about the issues of the day to be able to form the broad judgments required by an election, and to maintain between elections the vigilance necessary in those whose governors are their servants and not their masters. More and more it demands also an alert and informed participation not only in purely political processes but also in the efforts of the community to adjust its social and economic life to increasingly complex circumstances. Democratic society, therefore, needs a clear and truthful account of events, of their background and their causes; a forum for discussion and informed criticism; and a means whereby individuals and groups can express a point of view or advocate a cause.

The responsibility for fulfilling these needs unavoidably rests in large measure upon the Press, that is on the newspapers and the periodicals, which are the main source from which information, discussion, and advocacy reach the public. In recent years this function has been shared with the radio; but the impermanence of broadcasting, together with the limitations on the quantity and character of controversial material which can be diffused over the air, still leaves the Press in a central position."⁽¹⁾

As far ahead as we can see the public will be heavily dependent on the press as the principal channel of communication. It is important, therefore, that as far as possible the organization of the press should be such as will most adequately serve the public interest.

(1) Royal Commission on the Press 1947-1949, (Great Britain) Report, para. 362 and 363 (in part).

The Royal Commission on the Press in Great Britain formulated two essential requirements which in its opinion newspapers individually and the press collectively ought to fulfil. These were expressed as follows:

"The first of these requirements is that if a newspaper purports to record and discuss public affairs, it should at least record them truthfully. It may express what opinions it pleases -- and nothing we may say hereafter is intended to criticise the opinions of any newspaper, or to question its right to express them -- but opinions should be advocated without suppressing or distorting the relevant facts. If a paper adheres to a political party it should be plain to the reader that it does so, but from the columns of opinion, not from the colouring given to the news. A paper's politics and those of its readers will inevitably and legitimately affect its judgment of the relative interest of certain items of news, but the news it reports it should report truthfully and without excessive bias. The second requirement is that the number and variety of newspapers should be such that the Press as a whole gives an opportunity for all important points of view to be effectively presented in terms of the varying standards of taste, political opinion, and education among the principal groups of the population." (1)

Given the resources of the news gathering agencies available to a daily newspaper with a large circulation, there is always far more news than any single newspaper can print. The publisher or managing editor must select the events which he thinks should be published and must decide what aspects and facets are to be emphasized, what part of the context in which the event occurred is relevant to an understanding of the event and what prominence the story is to have in the newspaper.

Similar limitations of space come to bear on the editorial content of a newspaper. There is always a multitude of issues that might be discussed in a newspaper. Only a few of them can be dealt with each day. The publisher, through his staff, has to decide on an order of importance and select for comment those matters he considers most significant. Having selected them, he has then to subject them to his analysis and present his views as to what should be done about them. At every step, his particular set of values will affect his selection and treatment of the issues.

(1) Ibid., para. 384.

Thus every newspaper has its biases which play their part in the presentation of news and comments it offers to the public. In the very nature of things, no matter how fair-minded the publisher tries to be, and how impartially he attempts to give all sides of an issue, his own predilections will give their slant to the content of the newspaper. Professor Wilfred Eggleston made the following comments on the way a managing editor selects the contents of his paper in a study of the press of Canada prepared for the Royal Commission on Arts, Letters & Sciences:

"Every managing editor develops his own conception of what is 'news', and subject to practical limitations normally seeks to make his paper exemplify this conception. His personal ideas about priority of importance in current events are reflected by the headlines in his paper: by what is played up, and by what is left out. His range, quality and tone of Canadian news is to a large extent governed by the activities and news policies of The Canadian Press, the British United Press, and of his own reporters and correspondents. All news coverage involves constant selection of a few features out of the endless buzzing activity of human beings. Fourteen million Canadians are busy each day about their affairs, are moving along the millions of individual paths toward some goal, are cooperating and clashing, succumbing and triumphing. Out of the vast number of events and transactions occurring each day in Canada, a few must be singled out by reporters and editors for closer attention, for reporting and transmitting. The selection must be drastic, and some sort of values and priorities must be adopted and followed.

. . .

. . . The newspapers and magazines of Canada will generally report those aspects of Canadian life which their editors believe (as a result of practice more than theory, trial and error, public reaction) to be those aspects about which most of their readers want to hear. That the news-and-feature fare -- the melange -- thus created may be a very different fare in content and emphasis than that which a Canadian statesman concerned about national sentiment and common understanding would prescribe is obvious enough. But the average editor would not be jarred or rebuked by such an implied criticism. By and large, he would contend that if his newspaper or magazine is to be read, is to have subscribers, and thus to have revenue and a profit at the end of the year, he must serve the public with the kind of information and entertainment it wants. Otherwise, no matter how laudable

the aim, the publication will not be read, will not be bought, will soon cease to exist entirely." (1)

For these reasons it is desirable that as far as possible there should be several independent accounts of what is going on so that the public will be reminded that there are usually several sides to each story and that all factors should be weighed before an opinion is reached. Several organs of opinion and comment are needed to ensure that cogent views are not overlooked and that issues are debated in a way that arouses the critical faculties of the citizen. It takes lively controversy to bring out the likely consequences of alternative courses of action and to engage the mind and conscience of the man in the street. The Royal Commission on the Press in Great Britain expressed the following view:

" . . . Two papers discussing local affairs with appropriate warmth from different points of view may do more to ventilate an issue than one, however impartial, and are in some respects freer to give the leadership which the public expects from a responsible newspaper. The development of social legislation and the increase in the functions of government, both central and local, enhance the need for an active civic life and for the advocacy of opposing points of view.

For these reasons we consider that the existence of local monopoly in any area where it is not economically inevitable is to be deplored. . . ." (2)

Ideally, there should be several newspapers competing for attention in every large centre of population. This conclusion does not rest on a belief that large numbers of people will read more than one of them but on the following considerations. First, those members of the public of more inquiring minds will have the opportunity of reading two or more newspapers. Among such people are usually those who lead in the formation of public opinion in any community and they get their essential facts and stimulus when critical events happen and critical decisions are in the making by reading various reports.

(1) The Press of Canada, Royal Commission Studies, Ottawa, 1951, pp. 47, 48.

(2) Royal Commission on the Press 1947-1949, (Great Britain) Report, paras. 355 and 356 (in part).

Second, when several newspapers compete for attention, the readers of one paper compare notes with friends and acquaintances who read others. Discussion is stimulated and spreads in widening circles. It is not enough that individuals read and think. Active discussion on a wide front is an essential element in a free society.

Third, when there are several newspapers in a city large enough to provide them with an adequate economic base, it is likely that each will be a better newspaper because of the competition of the others. Since none can have all the subscribers, each is stimulated to try for some distinctiveness that will hold and enlarge a loyal list of subscribers. Where there are several newspapers in competition, there is greater assurance of better presentation of the news and of a livelier flow of discussion through the community even though few people read more than one newspaper.

The dangers in a situation where there is a newspaper monopoly were seen by the Royal Commission on the Press in Great Britain as follows:

" . . . The danger in a newspaper monopoly -- that is, a newspaper without any competition -- is that the monopolist, by its selection of the news and the manner in which it reports it, and by its commentary on public affairs, is in a position to determine what people shall read about the events and issues of the day, and to exert a strong influence on their opinions. Even if this position is not consciously abused, a paper without competitors may fall below the standards of accuracy and efficiency which competition enforces. . . ." ⁽¹⁾

In Canada the fear has been expressed that when there is a single newspaper in a town it is not so much likely to press strongly a particular point of view but that in trying to cater to the whole community it will tend to insipidity. It may sidestep issues, notably election issues, which should be debated, thus dampening discussion. At other times it may straddle the fence on controversial matters, trying to put forward several points of view, with the result that none are put forcibly. Such criticism is referred to in the following part of the article, "A History of Canadian Journalism", in the Canada Year Book, 1959, to which the Commission was referred by counsel and which has been previously cited:

(1) Royal Commission on the Press 1947-1949, (Great Britain) Report, para. 274 (in part).

"A feature of Canada's press mutation, particularly of the one-newspaper-city situation that is part of it, has to do with the tone and content of the modern daily. One frequently heard criticism of Canadian journalism is that the press does not reflect minority opinion. Since the average city has only one newspaper, so the argument goes, only one political or social or religious viewpoint will find newspaper expression in most communities. The defect is, in reality, of quite a different character. Because Canada's large daily newspaper must, to survive, have a mass circulation, it cannot afford to offend any appreciable segment of the population. It will not antagonize its readers by taking a doctrinaire, forth-right stand on contentious issues. Instead it will follow a 'public service' approach to policy, seeking to serve the whole community rather than any special section of it. The criticism now becomes not that the press is unfair in its treatment of the community's minorities, but rather that it is not outspoken enough, that it is too conciliatory in tone, that it aims at being inoffensive and innocuous when it should be giving strong leadership in matters of vital public concern. . . ." (1)

For the reasons which have been described in Chapter II and which have been elaborated in the evidence relating to the situation in Vancouver, it is apparent that entrance into the newspaper publishing business in any large city would be a matter of large investment accompanied by substantial risk. In North America and in Great Britain the number of newspapers published in such centres has been declining and this trend appears likely to continue.

In Great Britain, the public is served not only by local or provincial newspapers but also by what are termed "national" newspapers which circulate in all parts of the country and, by reason of the distances involved can be delivered on the day of publication. There are no national dailies in this sense in Canada and because of the size of our country, the diversity of local interests, and the use of two languages, English and French, it is not likely that we shall have one for a long time. Of course, newspapers are distributed across Canada and in some instances, such as the Montreal Gazette and Toronto Globe and Mail in Ottawa, have considerable circulations. Other metropolitan dailies also have considerable circulations outside the metropolitan areas in the provinces in which they are published.

(1) Dominion Bureau of Statistics, Canada Year Book, 1959, pp. 887-88.

In the main, if the public is to be reached through the medium of the press it must be through the existing newspaper channels because the likelihood of new dailies being established in larger centres has been pretty well removed by the factors which have been described in earlier chapters. These conditions emphasize the importance of maintaining as much independence as possible in the publication of existing dailies. In view of the concentration in newspaper publishing which has already taken place and the number of daily newspapers which have disappeared, any further moves in the same direction increase the likelihood of the public interest being affected prejudicially.

Although changing conditions in the newspaper publishing business have resulted in fewer dailies being published with the consequent limitation of the channels of communication, it must be recognized that there have been gains as well as losses in the process. To serve the public in the way we consider the public should be served, a newspaper must reach a large public and bring to it news and views of a comprehensive nature on a world-wide scale. A daily of this character must be a newspaper of many pages with extensive sources of information and a well-balanced editorial staff. To pay for the news and other ingredients of a large daily paper and bring it to a wide public at a price the public can and will pay, the publisher needs large revenues from advertising which are dependent upon a large circulation. To print a large newspaper every day for a wide circulation requires, as we have seen, heavy capital investment in plant and machinery. Even in cities of a million or more people neither the public nor the advertisers will pay for the costs which would be involved in having a considerable number of papers attempting to maintain mass circulations.

Big newspapers with big circulations in the larger cities with a corresponding decrease in the number of dailies are not only inevitable but desirable in providing the type of newspaper required in our present circumstances. If newspapers had remained small and numerous they could not have served the public in the way we have described. Up to a point, the gains in wider and more effective coverage in news and comment more than compensate for the serious losses and dangers incurred by limiting the competitive channels of communication. When the point is reached, however, that one newspaper gets a monopoly in a sizeable city, or when all the newspapers in a city come under single management, then the dangers of a single channel of communication which we have described become clearly evident.

2. The Amalgamation of The Province and The Sun

When the present situation in the daily newspaper field in Vancouver is examined in the light of the light of the general considerations which have been discussed in the preceding section, the nature of the changes which have occurred becomes evident. Prior to June, 1957 there were three daily newspapers published in Vancouver under separate ownership. The public had the choice of one morning paper and two evening papers. Following the consolidation of newspaper operations in the Pacific Press Limited, two papers remained, both owned by Pacific Press Limited, which also acquired the goodwill, rights and franchises connected with the paper which ceased publication. In effect, therefore, the entire daily newspaper publishing business in Vancouver was brought into the ownership of a single firm, whereas previously there had been three separate companies, each publishing a newspaper.

The general effect of evidence given by witnesses in the inquiry who had knowledge of the situation in the Vancouver area was that it was not possible for two evening papers to be published profitably in view of the increasing costs for equipment and operation. Mr. Moscarella gave the following evidence:

"Q. Why is it in a city of 500, 000 there should not be room for two evening papers, whereas in a city such as Ottawa with 250, 000 there is room for two papers?

A. My only answer to that is this, in every large city where there is one successful evening newspaper there is not two. In most American cities there is only one evening newspaper and not two.

Q. Is Ottawa in a peculiar situation then?

A. Ottawa is the capital city and I think a little different to most other cities in Canada, yes.

BY THE CHAIRMAN:

Q. What about Winnipeg? You have had years of experience there?

A. In Winnipeg they have a very happy relationship in that the advertiser recognizes Winnipeg as a two-newspaper town, they all recognize that. Here they think one paper can cover the territory, because of The Sun's propaganda in which they said they covered all of Vancouver it wasn't necessary to use any other newspaper.

Q. And some people believed it?

A. A lot of them did, more than I like to remember."

(Evidence, pp. 123-24)

In both Ottawa and Winnipeg The Southam Company Limited has published newspapers for a number of years.

Mr. Balfour testified as follows:

"Q. In your opinion is there room for two evening newspapers in Vancouver?

A. In my opinion there was not.

Q. Why would a city such as Ottawa support two evening newspapers when a city such as Vancouver would not?

A. There are several factors. One is the cost and efficiency of labour in the respective cities. It costs twice as much to produce a page in Vancouver -- approximately twice as much -- as it does in Ottawa; and also I think in the two cities in which we are competing newspapers, the situation has existed for a great many years, and in a stabilized condition in Ottawa and Winnipeg, the relative positions of the two newspapers have been practically unchanged for as long as I can remember, and there is not the same, what I might call nervousness as there was in Vancouver, where there had been a complete reversal of the field.

Q. Well, do you think the competition was harder -- the competition between the two opposing evening newspapers was harder?

A. It was very much harder.

Q. In Vancouver than it was in Ottawa or Winnipeg?

A. Yes."

(Evidence, p. 1016)

Mr. Cromie expressed the following opinions about the difference between the situations in Winnipeg and Ottawa and that in Vancouver:

"Q. Why should cities like Ottawa and Winnipeg support two evening newspapers?

A. They are very unusual situations. In Winnipeg, and this is not speaking from my own knowledge, but I think over the years they have managed to get by all right, but I think one of them has had quite a struggle. They have had to go into measures of being highly reasonable with each other from time to time, a situation we never quite got around to in Vancouver.

Q. Do you think that it is a fact that Vancouver will not support two evening newspapers?

A. To the best of my judgment I would have to qualify that too, two metropolitan afternoon newspapers of the nature of The Sun and The Province, not freaks.

Q. Would you just make it clear for the record what you mean by metropolitan?

A. A paper that tries and does give full coverage of world, national, provincial, and local news daily; with proper complement of reporters and press service, using enough to cover that news.

One point of enlargement on that, Mr. MacLeod, might be if two papers were close, but very careful, they might both cut expenses down. It may affect their pride a little, but I do not think that two big newspapers of the quality of The Sun or The Province could have continued in Vancouver with both of them making money. I don't think The Province was making money. I think they tried to make money, and that is what I tried to base my answer on, that they were unsuccessful."

(Evidence, pp. 153-54)

The situation of The Province, as shown by the evidence reviewed earlier in this report, was that during the ten years from 1947 to 1956 the paper had had a loss in seven years and had had profits in only three years. Two of these years were 1955 and 1956. An estimate of revenues and expenditures for 1957 projected gross profits at less than 60 per cent of the preceding year, which, as previously indicated, were regarded as too low to permit the re-equipment of The Province in the manner regarded as necessary to maintain it as an effective competitor of The Sun.

The position taken on behalf of The Province in the inquiry was that the paper was losing its ability to maintain itself as a competitor of The Sun, and that failing an arrangement to underwrite The Province sooner or later the conditions of the newspaper publishing business in Vancouver would have resulted in only one daily paper being published in that city. Evidence was given, which was not contradicted in any way, that The Herald, which had occupied the morning field, had been unprofitable and its circulation had not been growing with the increase in population in the area.

Although it seems possible that The Province could have been maintained as an independent paper in Vancouver for a longer or shorter period, the Commission must accept the evidence reviewed earlier in this report, that as a business enterprise The Province did not have prospects of earnings which would lead its owners to continue its operations indefinitely. In the absence of any evidence of a contrary nature, due regard must also be given to the opinion of those charged with the direction and management of The Province that its position was likely to deteriorate rapidly as The Sun increased its investment in new equipment and facilities.

The conclusions as to the position of The Province as an independent paper are reinforced by the evidence as to developments in other cities in North America which indicate that economic factors press toward a reduction in the number of newspapers or in the number of publishers in cities which had previously supported several independent dailies.

The action taken in Vancouver was not the complete merging of the existing newspapers into one daily, but the maintenance of two of the three newspapers under the joint ownership of two of the previous publishers.

There is no question that the competitive situation vis-à-vis The Province and The Sun has been affected substantially by placing the ownership of both papers in one company. The Southam Company Limited and Sun Publishing Company Limited are now directly interested in the earnings of Pacific Press Limited which, for the present at least, are being secured from the profits of The Sun. These, in Mr. Balfour's opinion, have increased by reason of the withdrawal of The Province from the evening field. The publishers of both The Province and The Sun are members of the board of directors of Pacific Press Limited and are present when there are discussions of the operations of the two papers, including the earnings or lack of earnings. It is obvious that the nature of the competition between the two papers under joint management of such a character cannot be the same as when the newspapers are separately owned.

At the same time it must be said that the continued publication of separate newspapers, particularly when the individual papers are linked in a traditional way with separate publishing interests, does not immediately represent as serious a danger to the public interest, as described in the previous section, as a newspaper monopoly in the hands of a single owner. Nevertheless in addition to the immediate public disadvantage through joint ownership the further danger of a more complete monopoly exists.

The maintenance of diversity of the expression of views through two newspapers under joint ownership depends upon the continuance of a strong attitude of rivalry between the immediate publishers of the two papers and the existence of separate newspapers identified with independent publishing interests. As long as the dominant personnel in charge of the operation of each paper are zealous in maintaining an independent character for the newspaper they direct it may be argued that a substantial degree of competitive vigour will continue. While pointing out that the situation at the time of the inquiry could not be taken, in his opinion, as a reliable guide as to what may happen in the future, the Director said in the Statement of Evidence that independence in policy on the part of the publishers of The Province and The Sun appeared to be indicated by the evidence:

"109. Testifying in June 1958, those witnesses connected with the editorial policies of the two newspapers stated that the amalgamation had made no difference as far as such policy was concerned and that each newspaper was free from any editorial direction by Pacific Press Limited. While, apart from these statements, it is difficult to secure specific evidence on this point, the evidence as a whole supports this view. Pacific Press Limited seems to have confined its activities to mechanical and financial matters and has left the determination of content and policy of the two newspapers to their respective publishers. Moreover, the evidence as a whole does give the impression that the senior officials, at least, of each newspaper regard themselves primarily as employees of that newspaper and not as employees of Pacific Press Limited (which they actually are). This is perhaps to be expected because of the long history of rivalry between the two newspapers and the short period which has elapsed since the amalgamation. . . ."

Changes in personnel of a newspaper may occur within a relatively short time and it is evident that there can be no assurance that the successors will continue to engage in the same healthy rivalry. It is evident that there would have to be a constant striving for independence in editorial direction to offset the effect of unified ownership which would tend to erode the sense of

separate identity in the two newspapers. The end result might be an appearance of rivalry without serious conviction, such as the rivalry of two articles under different brands produced by the same manufacturer.

Second, and much more important, continuance of actual arrangements for diversity and independent editorial direction depends upon the policy of those who are in a position to control the policy of the owning company.

It was argued by counsel for Sun Publishing Company Limited that the Commission should concern itself only with the existing agreement between his client and The Southam Company Limited which provides that the publication, editorial, advertising, circulation and promotion activities shall be under the jurisdiction of the respective publishers who will be appointed for The Sun by Sun Publishing Company Limited and for The Province by The Southam Company Limited. Counsel argued that any change in these arrangements would require a new agreement and that such a development should not be anticipated.

We do not think that it would be realistic to regard the newspaper situation in Vancouver in such a narrow way. It is clear that the present agreement between The Southam Company Limited and Sun Publishing Company Limited was made because the respective parties considered that it was in their interests to make such an agreement. Although Mr. Balfour stated that it was the intention of The Southam Company Limited to continue the publication of The Province even if this meant carrying it on indefinitely at a loss, such a policy may be modified in the course of time. Even if those presently in a position to control the affairs of Sun Publishing Company Limited and The Southam Company Limited remain constant in their policy, they will some day cease to be the makers of policy. Those who succeed them may decide that the continued publication of separate newspapers is not in the interests of their companies or they may decide to dispose of the holdings in Pacific Press Limited and the direction of affairs might come into the hands of those who did not possess the tradition of separate newspaper identity. It is clear that as long as the arrangements regarding the continued existence of The Province and The Sun are matters of private agreement there is no safeguard that the public interest in a variety of independent newspapers may not be further affected to its disadvantage.

3. Recommendation

In view of the absence of a sufficient safeguard to protect the public interest in the continuance of separate newspapers in the Vancouver area the Commission considers that steps should be taken to ensure that no changes are made in the existing agreements which would reduce the degree of independence which now exists with respect to the publication of The Province and The Sun and that no action is taken under **those** agreements which would increase the disadvantage to the public which has resulted from the common ownership of The Province and The Sun.

In our opinion what is required is a judicial order which would restrain the parties from making any alteration in the agreements without the approval of a court. In the proceedings for such an order a review could be made of the situation with respect to the requirement that general advertising must be placed in both papers, which requirement, we consider, operates to the detriment of anyone who desires to place an advertisement in only one paper. The amendments recently made to the Combines Investigation Act and particularly the amendment to section 31(2) appear to the Commission to be designed to permit the use of a restraining order in such circumstances as have been disclosed in this inquiry.

(Sgd.) C. R. Smith

Chairman

(Sgd.) A. S. Whiteley

Member

Ottawa,
August 16, 1960.

APPENDIX

COPY OF AGREEMENT BETWEEN THE SOUTHAM COMPANY
LIMITED AND SUN PUBLISHING COMPANY LIMITED AND
SUPPLEMENTARY AGREEMENTS WITH PACIFIC PRESS
LIMITED AND PROVINCE NEWSPAPERS LIMITED

EXHIBIT "D"

THIS AGREEMENT made the 24th day of May, 1957

B E T W E E N:

SUN PUBLISHING COMPANY LIMITED,
a Company incorporated under the
laws of British Columbia, having
its Registered Office at the City
of Vancouver, in the said Province,

hereinafter called "Sun"

OF THE FIRST PART,

AND:

THE SOUTHAM COMPANY LIMITED,
a Company incorporated under the
laws of Canada, having its Head
Office at the City of Toronto,
in the Province of Ontario,

hereinafter called "Southam"

OF THE SECOND PART.

WHEREAS each of Sun and Southam contemplates and has undertaken or committed itself in whole or in part for the expenditure of a substantial amount of money for the purpose of improving its plant and its production and distribution facilities in the City of Vancouver and each of the parties to this Agreement has concluded that substantial savings in the aggregate cost of producing and distributing their respective newspapers would be achieved if arrangements could be concluded whereby both of the said newspapers would be produced by one plant owned jointly between Sun and Southam and have therefore determined to enter into this Agreement as a means of practising and achieving economy in the mechanical production of the daily newspaper known as The Vancouver Sun and the daily newspaper known as The Province respectively published by Sun and Southam while continuing to maintain the existing quality, character and personality of each of the said newspapers and independence, freedom and autonomy in the publishing thereof respectively;

AND WHEREAS Sun represents and warrants that at the date of this Agreement there are issued and outstanding no bonds or debentures of Sun except \$420,000.00 principal amount 4% First Mortgage Serial Bonds repayable in equal annual instalments of \$60,000.00 each on the 1st day of September in each year from 1957 to 1963 both inclusive and \$292,500.00 principal amount 4 $\frac{1}{2}$ % Twenty-Year Sinking Fund Debentures repayable in equal annual instalments of \$22,500.00 each by operation of the sinking fund established in respect thereof on the 1st day of November in each year from 1957 to 1969 both inclusive;

AND WHEREAS Sun represents and warrants that Pacific Press Limited has been incorporated and organized under The Companies Act

of the Province of British Columbia as a private company with an authorized capital of \$1,600,000.00 divided into 1,600,000 common shares of the par value of \$1.00 each of which 10,000 common shares and no more are outstanding as fully paid all of which are beneficially owned by Sun; that Pacific Press Limited has a Board of eight Directors; that the Articles of Association of Pacific Press Limited are in the form of the Articles which have been initialled by the parties hereto for identification; and that the fiscal year of Pacific Press Limited ends on 31st December in each year;

AND WHEREAS Southam represents and warrants that Province Newspapers Limited has been incorporated and organized under The Companies Act of the Province of British Columbia as a private company having an authorized capital of \$10,000.00 divided into 10,000 common shares of the par value of \$1.00 each all of which are outstanding as fully paid and are beneficially owned by Southam;

NOW, THEREFORE THIS AGREEMENT WITNESSETH THAT, in consideration of the premises and of the mutual covenants, agreements, warranties, payments and other matters hereinafter set forth and provided for, Sun and Southam respectively covenant and agree each with the other as follows:

1. Sun warrants and covenants that, as at 31st August, 1956:

(a) It or its subsidiary companies owned, possessed and had and, except for such as have been disposed of in the ordinary course of its business and except the printing business formerly owned by Sun, now owns, possesses and has a good marketable title to all of the property and assets described or referred to in the consolidated balance sheet of Sun and its subsidiary companies as at the said 31st August, 1956, a copy of which is annexed as Schedule "A" to this Agreement, free and clear of any encumbrance other than any charges created as security for the bonds and debentures hereinbefore recited or by any crossing agreements or area agreements in favour of the City of Vancouver and except any leasehold interests of tenants of office space in the buildings owned and except as disclosed by the said balance sheet; and

(b) The value of the inventories referred to in the said balance sheet annexed as Schedule "A" hereto is shown thereon at not more than the lower of cost or the current net sale value of the property and assets making up such inventories.

2. Southam warrants and covenants that, as at 30th November, 1956:

(a) It owned, possessed and had and, except for such as have been disposed of in the ordinary course of its business, now owns, possesses and has a good marketable title to all of the property and assets described or referred to in the balance sheet of The Vancouver Province Division of Southam as at the said 30th November, 1956, a copy of which is annexed as Schedule "B" to this Agreement, free and clear of any encumbrance other than any charges created by any crossing agreements or area agreements in favour of the City of Vancouver and except any leasehold interests of tenants of office space in the buildings owned and except as disclosed by the said balance sheet; and

(b) The value of the inventories referred to in the said balance sheet annexed as Schedule "B" hereto is shown thereon at not more than the lower of cost or the current net sale value of the property and assets making up such inventories.

3. Sun warrants and covenants that:

(a) Sun owns, free and clear of any encumbrance or restriction, except as herein referred to, the right to publish in the City of Vancouver the evening newspaper known as The Vancouver Sun and the Canadian Press franchise held in relation thereto and shall maintain the said right and franchise, free and clear of any encumbrance or restriction, except as aforesaid, until the sale and transfer thereof to Pacific Press Limited pursuant to the agreement to be made between Sun and Pacific Press Limited pursuant to the provisions of Clause 5 hereof;

(b) The said balance sheet hereto annexed as Schedule "A" is in agreement with the books of Sun and its subsidiary companies and correctly represents their financial condition as at 31st August, 1956.

4. Southam warrants and covenants that:

(a) Southam owns, free and clear of any encumbrance or restriction, the right to publish in the City of Vancouver the evening newspaper known as The Province and the Canadian Press franchise held in relation thereto and shall maintain the said right and franchise free and clear of any encumbrance or restriction until the sale and transfer thereof to Province Newspapers Limited pursuant to the agreement to be made between Southam and Province Newspapers Limited pursuant to the provisions of Clause 6 hereof and, until the sale of the shares of Province Newspapers Limited by Southam to Pacific Press Limited hereinafter referred to, shall cause Province Newspapers Limited to maintain the said right and franchise free and clear of any encumbrance or restriction;

(b) The said balance sheet hereto annexed as Schedule "B" is in agreement with the books of The Vancouver Province Division of Southam and correctly represents the financial condition of the said Division as at 30th November, 1956.

5. Promptly upon the execution of this Agreement Sun will enter into an agreement with Pacific Press Limited and will cause Pacific Press Limited to enter into an agreement with Sun in the terms of the draft of agreement hereto annexed as Schedule "C", which agreement is hereinafter termed the "Pacific Press agreement"; and Sun agrees to complete and to cause Pacific Press Limited to complete all the transactions provided for in the Pacific Press agreement in accordance with its terms. Sun warrants and covenants that the property and rights to be sold to Pacific Press Limited under the Pacific Press agreement include all the property and rights of the classifications referred to in the Pacific Press agreement owned by Sun or any of its subsidiary companies and used for the purposes specified in the Pacific Press agreement as at 31st August, 1956 and all additions thereto less items disposed of since 31st August, 1956, in both cases in the ordinary course of the business of Sun and of its said subsidiary companies,

provided always that it is expressly understood and agreed that the printing business formerly owned by Sun and the Graphic Arts Building at Pender and Bute Streets, Vancouver, B.C., still owned by Sun or one of its subsidiaries in which the said printing business was formerly carried on are not included in the property to be sold to Pacific Press Limited under the Pacific Press agreement. Sun further warrants and covenants that from the date of this Agreement until the time of closing provided for in the Pacific Press agreement (hereinafter termed the "time of closing") each of Sun and its subsidiary companies shall carry on its business in the ordinary course, except as provided for in or to permit the carrying out of this Agreement or the Pacific Press agreement, and shall not dispose of any property or rights to be sold to Pacific Press Limited under the Pacific Press agreement otherwise than in the ordinary course of its business and for the purposes of carrying on the same except to each other or as provided for in or to permit the carrying out of this Agreement or the Pacific Press agreement.

6. Promptly upon the execution of this Agreement Southam will enter into an agreement with Province Newspapers Limited and will cause Province Newspapers Limited to enter into an agreement with Southam in the terms of the draft of agreement hereto annexed as Schedule "D", which agreement is hereinafter termed the "Province Newspapers agreement"; and Southam agrees to complete and to cause Province Newspapers Limited to complete all the transactions provided for in the Province Newspapers agreement in accordance with its terms. Southam warrants and covenants that the property and rights to be sold by it to Province Newspapers Limited under the Province Newspapers agreement include all the property and rights of the classifications referred to in the Province Newspapers agreement owned by Southam and used for the purposes specified in the Province Newspapers agreement as at 30th November, 1956 and all additions thereto less items disposed of since 30th November, 1956, in both cases in the ordinary course of the business of The Vancouver Province Division of Southam. Southam further warrants and covenants that from the date of this Agreement until the time of closing Southam shall carry on the business of its Vancouver Province Division in the ordinary course, except as provided for in or to permit the carrying out of this Agreement or the Province Newspapers agreement, and shall not dispose of any property or rights to be sold to Province Newspapers Limited under the Province Newspapers agreement otherwise than in the ordinary course of the business of the said Division and for the purpose of carrying on the same except as provided for in or to permit the carrying out of this Agreement or the Province Newspapers agreement.

7. (a) Immediately after the time of closing, Southam shall sell to Pacific Press Limited and Sun shall cause Pacific Press Limited to purchase from Southam all of the 10,000 issued shares of Province Newspapers Limited and the promissory note to be issued and delivered to Southam by Province Newspapers Limited pursuant to the provisions of the Province Newspapers agreement at a price in lawful money of Canada equivalent to the sum of the aggregate par value of the said shares and the principal amount of the said promissory note payable in cash at the time of the said sale and purchase;

(b) Forthwith after the completion of the said sale and purchase of the said shares of the capital stock of Province Newspapers Limited and the said promissory note of that Company referred to in the immediately preceding paragraph (a) of this Clause 7, Southam shall subscribe for and Sun shall cause Pacific Press Limited to allot and issue to Southam at the price of \$1.00 per share 800,000 common shares of the capital stock of Pacific Press Limited for an aggregate issue price of \$800,000.00 which shall be paid by applying thereto the amount in lawful money of Canada payable in cash by Pacific Press Limited to Southam pursuant to the immediately preceding paragraph (a) of this Clause 7 of this Agreement. If the amount so payable pursuant to the said paragraph (a) shall exceed the issue price of the said 800,000 shares of the capital stock of Pacific Press Limited so to be issued by Pacific Press Limited to Southam, the excess thereof shall be paid forthwith to Southam in cash. If the amount payable by Pacific Press Limited to Southam pursuant to the immediately preceding paragraph (a) of this Clause 7 shall be less than \$800,000.00, the difference between the said amount so payable and \$800,000.00 (the purchase price of the said 800,000 shares) shall be paid by Southam to Pacific Press Limited forthwith after receipt by Southam of notice of allotment by Pacific Press Limited of the said 800,000 shares.

8. (a) Southam proposes to effect the incorporation and organization under The Companies Act of the Province of British Columbia or The Companies Act of Canada (as it may elect) of a new company by the name Province Holdings Limited as a private company;

(b) Sun covenants and agrees with Southam for the benefit of Southam and of the said Province Holdings Limited to sell to Province Holdings Limited and Southam covenants and agrees with Sun to cause Province Holdings Limited to purchase from Sun and to pay for, as herein provided, \$3,850,000.00 principal amount of the $5\frac{1}{2}\%$ 20 Year Redeemable Debentures due 30th June, 1977, of Pacific Press Limited, being exactly one-half of the \$7,700,000.00 principal amount of the Debentures which Sun is to receive from Pacific Press Limited pursuant to the provisions of the Pacific Press agreement at a price amounting to \$3,850,000.00 plus accrued interest upon the said Debentures payable in Canadian funds against delivery at the time of closing of Debentures for the said principal amount duly issued and certified and registered in the name of Province Holdings Limited or, if Southam shall elect, as hereinafter permitted, itself to purchase the said Debentures, then in the name of Southam;

(c) It is agreed that, at Southam's option, it shall be entitled to elect itself to purchase the said \$3,850,000.00 principal amount of $5\frac{1}{2}\%$ 20 Year Redeemable Debentures of Pacific Press Limited at the said price in lieu of the said Debentures being purchased by Province Holdings Limited as provided for by paragraph (b) of this Clause 8 and Southam covenants and agrees in the event of such election to pay the said price to Sun immediately after the time of closing against delivery of the said Debentures as aforesaid.

9. Sun covenants and agrees that at the time of closing it will cause four (4) persons nominated by Southam to be elected or appointed as Directors of Pacific Press Limited and each of Sun and Southam hereby covenants and agrees with the other of them that, so long as such other owns, directly or indirectly, not less than fifty per cent of the issued and outstanding shares of the capital stock of Pacific Press Limited which at the time confer upon the respective holders thereof the right to vote at any meeting of shareholders, it will vote in favour of the election as directors of Pacific Press Limited of such number of persons being not more than one-half of the number of directors comprising the Board of Directors of Pacific Press Limited who shall be nominated for election as directors of Pacific Press Limited by such other at any annual general meeting of the shareholders of Pacific Press Limited and each of the said parties agrees with the other than whenever during the same period a vacancy or vacancies shall occur in the Board of Directors of Pacific Press Limited it will cause its nominees on the Board of Directors of Pacific Press Limited to vote in favour of a resolution to fill such vacancy or vacancies by the election or appointment of a person or persons, as the case may be, nominated by that one of them who shall have nominated the person or respective persons whose termination of office as a director or directors shall have caused such vacancy or vacancies with a view to ensuring that at all such times the Board of Directors of Pacific Press Limited shall consist of four persons who shall be nominees of Sun and four persons who shall be nominees of Southam.

10. It is agreed that the policy as to the distribution to the shareholders of Pacific Press Limited of that Company's earnings is a matter to be determined by its Board of Directors but Sun and Southam hereby covenant and agree each with the other that each will do its utmost to cause the Board of Directors of Pacific Press Limited to declare and pay, by way of dividends upon the issued and outstanding shares of the capital stock of Pacific Press Limited, at least forty per cent of the net earnings of Pacific Press Limited in each year after payment of or provision for income taxes in respect of the earnings of such year as shown by the audited financial statements of Pacific Press Limited.

11. It is agreed between Sun and Southam that:

- (i) Subject to the provisions of the Articles of Association of Pacific Press Limited, the general manager of Pacific Press Limited shall be responsible for the management and shall manage all departments except the news, editorial, advertising, circulation and promotion departments of both newspapers. The said news, editorial, advertising, circulation and promotion departments are sometimes hereinafter collectively referred to as the "publication departments";
- (ii) Sun shall appoint from time to time a publisher of The Vancouver Sun and Southam shall appoint from time to time a publisher of The Province. The remuneration of each of the said publishers shall be borne and paid by Pacific Press Limited;
- (iii) The publication departments of The Vancouver Sun and The Province respectively shall be managed by the respective

publishers appointed by Sun and Southam respectively who shall have full responsibility and authority in respect of the employment of all officers and other personnel of the publication departments of the said respective newspapers and in respect of the remuneration to be paid to all such officers and other personnel of the said publication departments which shall be fixed by the said publishers respectively. The said publishers shall be responsible for the news and editorial content of the said newspapers respectively as well as for the solicitation of advertising and subscriptions therefor. The remuneration of all officers and other personnel of the said newspapers shall be paid by Pacific Press Limited;

- (iv) Salaries, wages, bonuses and fringe benefits of all persons, including the said publishers, engaged in the respective publication departments of The Vancouver Sun and The Province shall be in the sole discretion of their respective publishers unless the amount of any of such salaries, wages, bonuses and fringe benefits exceeds the established rates of salaries, wages, bonuses or fringe benefits, as the case may be, of the respective employees, including the said publishers, of the respective newspapers in effect on the 31st August, 1956, after making allowance for general increases in wage levels in the City of Vancouver between the said 31st August, 1956, and the date of payment of such salaries, wages, bonuses or fringe benefits respectively, in which event before any such salaries, wages, bonuses or fringe benefits shall be paid or granted at any increased rate the same shall require the approval of the Board of Directors of Pacific Press Limited; provided, however, that for the purposes of this sub-paragraph (iv) the salary and bonus of the publisher of The Vancouver Sun for the year ended 31st August, 1956, shall be deemed to have been \$45,000.00 and \$15,000.00 respectively;
- (v) The general manager of Pacific Press Limited shall cause full and detailed records to be kept of the earnings and expenses of the said company attributable to the publication of each of the said two newspapers and shall cause to be delivered to the respective publishers of the said newspapers and to each of the directors of Pacific Press Limited monthly accounts of profit and loss attributable to the publication of each newspaper. The said profit and loss accounts shall show in detail the proper proportions of overhead, mechanical equipment and other general costs attributable to the publication of each of the newspapers. The general manager of Pacific Press Limited shall cause Pacific Press Limited to purchase such equipment, articles and other things for the purposes of the respective publication departments of each of the said newspapers as their respective publishers shall direct, PROVIDED that no such purchases shall be effected on capital account at a cost in excess of \$15,000.00 or exceeding in the aggregate \$50,000.00 in any calendar year without the prior approval of the Board of Directors of Pacific Press Limited. The space rental costs and operating costs of all such equipment, articles and other things shall be disclosed on the

monthly profit and loss accounts and attributed to the publication of the respective newspapers according to the use for which such equipment, articles and other things shall have been acquired;

- (vi) Each of the publishers of The Vancouver Sun and The Province may independently make charitable, educational and institutional donations in his sole discretion up to a total amount in any one year equivalent to two and one-half per cent of the profits of Pacific Press Limited in such year. The amount of such donations shall be a charge to the account of Pacific Press Limited and shall be shown in the said monthly profit and loss accounts as attributable to the cost of publishing such newspaper. Donations made by the publisher of The Vancouver Sun may be made in the name of The Vancouver Sun if its publisher so decides, and likewise donations made by the publisher of The Province may be made in the name of The Province if its publisher so decides.

12. All sums payable or which may be paid arising out of claims or litigation based upon libel or allegations thereof in respect of any matter or thing appearing in any issue of The Vancouver Sun or The Province after the transfer date, together with all costs, charges and expenses in relation thereto, shall be the liability of and shall be paid by Pacific Press Limited, which company shall indemnify and save harmless Sun and Southam respectively against and from the payment of all such sums.

13. It is agreed that Pacific Press Limited shall assume all existing labour union contracts and shall enter into all renewals of such contracts or new contracts with labour unions relating to labour to be employed in the publication and production of either of The Vancouver Sun or The Province and shall be charged with and fully responsible for the negotiation of such contracts.

14. It is agreed that advertising and subscription rates of The Vancouver Sun shall be determined by its publisher and advertising and subscription rates of The Province shall be determined by its publisher.

15. Sun and Southam each covenants and agrees with the other that it will at all times do everything in its power to cause Pacific Press Limited, Province Newspapers Limited and all others concerned to take and do such steps, acts and things as may be required in order to carry out and perform all of the provisions of this Agreement, the Pacific Press agreement and the Province Newspapers agreement according to the tenor thereof.

16. Any notice or other instrument to be given or delivered pursuant to this Agreement shall be sufficiently given, in the case of a notice or other instrument to Sun, if enclosed in a sealed envelope addressed to Sun Publishing Company Limited, 500 Beatty Street, Vancouver 3, B.C., or at such other address as Sun shall advise in writing, and, in the case of a notice or other instrument to Southam, if enclosed in a sealed envelope addressed to The Southam Company Limited, 321 Bloor Street East, Toronto, Ontario, or at such other address as Southam shall advise in writing, and in either case, mailed by registered mail, postage prepaid, at any post office in the Province

of British Columbia or in the Province of Ontario. Any notice or other instrument so given shall be deemed for all purposes to have been given or delivered, as the case may be, forty-eight (48) hours after the time when the same was mailed, registered postage prepaid, as aforesaid.

17. Each of Sun and Southam covenants and agrees with the other of them that the business of Sun and the business of The Vancouver Province Division of Southam shall be carried on in the ordinary course between the date of this Agreement and the time of closing and, in particular, that the property of each shall be kept up and maintained as fully and effectually and to the same extent as though this Agreement had not been entered into.

18. Sun covenants and agrees to obtain and furnish the consents of all lessors or other persons or companies which may be necessary or requisite in order to enable Sun validly and effectitvely to perform and carry out all of Sun's obligations pursuant to the provisions of this Agreement or the Pacific Press agreement and Southam covenants and agrees to obtain and furnish the consents of all lessors or other persons or companies which may be necessary or requisite in order to enable Southam validly and effectively to perform and carry out all of Southam's obligations pursuant to the provisions of this Agreement or the Province Newspapers agreement.

19. Sun shall call an extraordinary general meeting of its shareholders to be held not later than 11th June, 1957 for the purpose of considering and if thought fit approving this Agreement and the sale provided for in the Pacific Press agreement upon the terms and conditions therein set forth. In the event that this Agreement and such sale shall not be approved by resolution duly passed by a majority of the votes cast by the shareholders of Sun present or represented by proxy and entitled to vote at such meeting then either party to this Agreement may within two days after such meeting terminate this Agreement upon notice in writing to the other. If this Agreement shall be so terminated neither party shall be under any obligation to the other by reason of such termination or anything arising hereunder.

20. The parties hereto agree that, notwithstanding the entering into of the Pacific Press agreement, Sun and its subsidiaries shall, until but not after the transfer date under the Pacific Press agreement, be entitled to all income and profits and bear all losses arising from the carrying on of their respective businesses and that, notwithstanding the entering into of the Province Newspapers agreement, Southam shall, until but not after the transfer date under the Province Newspapers agreement, be entitled to all income and profits and bear all losses arising from the carrying on of the business of The Vancouver Province Division of Southam.

21. This Agreement shall be binding upon the parties hereto and upon their successors and assigns.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed under their respective corporate seals and the hands of their proper officers thereunto duly authorized as of the day and year first above mentioned.

THE CORPORATE SEAL of SUN PUBLISHING
COMPANY LIMITED was hereunto affixed
in the presence of:

PRESIDENT

SECRETARY

THE CORPORATE SEAL of THE SOUTHAM
COMPANY LIMITED was hereunto affixed
in the presence of:

PRESIDENT

SECRETARY

THIS IS SCHEDULE "A" TO THE AGREEMENT DATED 24TH MAY,
1957, BETWEEN SUN PUBLISHING COMPANY LIMITED AND THE
SOUTHAM COMPANY LIMITED.

SUN PUBLISHING COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT AUGUST 31, 1956

A s s e t s

CURRENT ASSETS:

Cash	\$ 387,797
Government of Canada treasury bills, at cost	497,192
Accounts receivable, less provision for doubtful items	1,412,872
Advances to associated company	49,270
Inventories, at cost, not in excess of market	623,973
Unexpired insurance premiums and other prepaid expenses	48,575
	<u>\$3,019,679</u>

INVESTMENTS AND OTHER ASSETS, ETC.:

Other shares (\$82,715), and long-term advances to Grouse Mountain Resorts Limited, less pro- vision for possible decline in value	\$ 103,535
Cash surrender value of life insurance policies	25,386
Unamortized bond discount and expenses and other deferred charges	53,319
	<u>\$ 182,240</u>

FIXED ASSETS:

Land, at cost	\$ 224,028
Buildings, plant and equipment, substantially at cost, less accumulated depreciation of \$2,440,113	2,684,985
Long-term lease, at cost less amortization	6,505
Licence and goodwill of subsidiary companies, at cost	70,383
	<u>\$2,985,901</u>
	<u>\$6,187,820</u>

(SCHEDULE "A" CONTINUED)

Liabilities and shareholders' interest

CURRENT LIABILITIES:

Bank loans and overdraft of subsidiary companies - partly secured	\$ 83,585
Accounts payable and accrued liabilities	861,919
Cash dividend payable on Class "A" shares	46,875
4% bonds due September 1	60,000
Sinking fund payment of \$22,500 due November 1, less par value of debentures purchased and held for presentation to trustee	-
Estimated income taxes payable	<u>482,039</u>
	<u>\$1,534,418</u>

UNEARNED SUBSCRIPTIONS	\$ <u>48,945</u>
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BONDS AND DEBENTURES:

4% First mortgage serial bonds, repayable in equal annual instalments to 1963, less \$60,000 repayable on September 1, shown above	\$ 420,000
4 $\frac{1}{2}$ % Twenty-year sinking fund debentures, repayable November 1, 1969, less sinking fund payment of \$22,500 due November 1 (see above)	<u>292,500</u>
	<u>\$ 712,500</u>

(SCHEDULE "A" CONTINUED)

Liabilities and shareholders' interest

SHAREHOLDERS' INTEREST:

Share capital:

Authorized:

2,500,000 redeemable preference shares of \$1.00 each, of which up to August 31, 1956, 525,000 had been issued and redeemed, and are not available for re-issue	\$2,500,000
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500,000 cumulative participating Class "A" common shares without nominal or par value, entitled to fixed preferential cash dividends of 50 cents per annum	-
500,000 Class "B" common shares without nominal or par value	-

Issued:

375,000 Class "A" shares	\$ 375,000
375,000 Class "B" shares	<u>375,000</u>

\$ 750,000

Premium on issue of common shares	39,095
Stock dividend	37,500

Income retained in the business, including tax-paid undistributed income of \$796,396 - per statement attached	<u>3,065,362</u>
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\$3,891,957

\$6,187,820

COMMITMENT:

Contract for purchase of fixed assets	\$ 553,000
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THIS IS SCHEDULE "B" TO THE AGREEMENT DATED
24TH MAY, 1957, BETWEEN SUN PUBLISHING COM-
PANY LIMITED AND THE SOUTHAM COMPANY LIMITED.

THE VANCOUVER PROVINCE DIVISION OF

THE SOUTHAM COMPANY LIMITED

BALANCE SHEET AS AT NOVEMBER 30, 1956

A s s e t s

CASH:

Cash advances	\$ 2,300.00	
Cash in banks	<u>100,600.21</u>	\$ 102,900.21

ACCOUNTS RECEIVABLE:

Advertising	514,172.41	
Circulation	133,895.51	
Rentals	1,302.36	
Officers and employees	775.00	
Sundry	<u>72,845.53</u>	722,990.81

INVENTORIES:

Newsprint, ink, metal, etc.	243,947.92	
Supplies	<u>15,752.21</u>	259,700.13

PREPAID EXPENSE:

Insurance, taxes, etc., prepaid		36,062.51
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INVESTMENTS - SUNDRY

4,010.00

LAND & BUILDINGS

1,070,779.26

PLANT

1,605,776.67

MOTORS & TRUCKS

35,436.08

\$3,837,655.67

(SCHEDULE "B" CONTINUED)

L i a b i l i t i e s

ACCOUNTS PAYABLE:

Trade	\$ 198,570.12	
Sundry	<u>88,467.34</u>	\$ 287,037.46

<u>MONTREAL OFFICE - CURRENT ACCOUNT</u>	3,395.39
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<u>ACCRUED LIABILITIES</u>	116,370.03
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ALLOWANCE FOR DOUBTFUL ACCOUNTS	27,964.33
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DEFERRED REVENUE - SUBSCRIPTIONS PREPAID	51,891.13
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RESERVES FOR DEPRECIATION:

Building	373,852.06	
Plant	1,377,803.77	
Motors and trucks	<u>14,584.05</u>	1,766,239.88

<u>CAPITAL ACCOUNT</u>	<u>1,584,757.45</u>
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<u>\$3,837,655.67</u>

THIS IS SCHEDULE "C" TO THE AGREEMENT DATED 24TH MAY,
1957, BETWEEN SUN PUBLISHING COMPANY LIMITED AND THE
SOUTHAM COMPANY LIMITED

THIS AGREEMENT made the day of , 1957

B E T W E E N:

SUN PUBLISHING COMPANY LIMITED,
a Company incorporated under the
laws of British Columbia, having
its Registered Office at the City
of Vancouver, in the said Province,

hereinafter called "Sun"

OF THE FIRST PART,

AND:

PACIFIC PRESS LIMITED,
a Company incorporated under the
laws of British Columbia, having
its Registered Office at the said
City of Vancouver,

hereinafter called "Pacific"

OF THE SECOND PART.

WHEREAS Sun represents and warrants that at the date of this Agreement there are issued and outstanding no bonds or debentures of Sun except \$420,000.00 principal amount 4% First Mortgage Serial Bonds repayable in equal annual instalments of \$60,000.00 each on the 1st day of September in each year from 1957 to 1963 both inclusive and \$292,500.00 principal amount 4½% Twenty-Year Sinking Fund Debentures repayable in equal annual instalments of \$22,500.00 each by operation of the sinking fund established in respect thereof on the 1st day of November in each year from 1957 to 1969 both inclusive;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH THAT, in consideration of the premises and of the mutual covenants, agreements, warranties, payments and other matters hereinafter set forth and provided for, Sun and Pacific respectively covenant and agree each with the other as follows:

1. (a) Sun agrees to sell, convey, grant, assign, transfer and pay or cause to be sold, conveyed, granted, assigned, transferred and paid to Pacific and Pacific agrees to purchase the following property and rights of Sun and of its wholly owned subsidiary companies, subject to the following described liabilities, at the following respective prices based on figures at 31st August, 1956, subject to amendment as hereinafter provided to reflect changes to the transfer date, viz:

- (i) All buildings, plant and equipment owned and used by Sun or by any of the said subsidiary companies for any purpose relating to the production of Sun's said newspaper, The Vancouver

Sun, or the distribution thereof or for the transportation, handling and storage of raw materials required in relation thereto, and the lease of the carrier boys' camp at Tunstall Bay known as "Camp Gates" which is owned by Sun and all buildings, plant, equipment and personal property of all descriptions located on or used for any purpose relating to the said camp, at estimated undepreciated capital cost as recognized by the Income Tax authorities

\$1,325,538.00

- (ii) All land upon which any of such buildings, plant and equipment or raw materials are located, (except the leasehold land at Tunstall Bay aforesaid) and all land owned and used by Sun or any of the said subsidiary companies for any purpose related to the production or distribution of the said newspaper or owned by Sun or any of the said subsidiary companies and used as a car-park in relation to the production or distribution of the said newspaper, at

174,325.00

- (iii) All new construction undertaken by Sun in Vancouver for purposes relating to the expansion of its newspaper production facilities and property purchased by Sun on Robson Street in Vancouver for parking purposes, at

Nil

- (iv) The vessel "Tempest IV" owned by Sun and heretofore used by it for purposes relating to its business, at estimated undepreciated capital cost as recognized by the Income Tax authorities

73,201.00

- (v) The amount of deposits made and fees paid by Sun in respect of new equipment on order or architects' fees in respect of Sun's plan of expansion, at

124,435.00

- (vi) All memberships in press associations and all press franchises and the benefit of all subscriptions to press, news and feature services held, owned or enjoyed by Sun or the said newspaper published by it, including, without limiting the generality

thereof, the Canadian Press franchise pursuant to which Sun is entitled to receive the communication of news from the Association known as the Canadian Press for publication in an evening newspaper in the retail trading area of the City of Vancouver and the goodwill attaching to and the right to publish the evening newspaper known as The Vancouver Sun in the said City of Vancouver and all subscription or circulation lists of The Vancouver Sun, at

6,250,000.00

- (vii) All newspaper inventories including, but without being limited to, inventories of newsprint, ink, metal and other products or materials of whatsoever nature or kind used for the purposes of the business of Sun in relation to its production, sale and distribution of the said newspaper, The Vancouver Sun, and pre-paid expenses, at

380,000.00

- (viii) All contracts for supplies of raw materials, plant and equipment entered into by Sun for the purpose of carrying on its business or expanding or improving its plant, at

1.00

- (ix) Cash in the amount of

885,000.00

\$9,212,500.00

- (x) Deduct liabilities to be assumed, being the principal amount of Sun's said bonds and debentures outstanding

712,500.00

Net price payable

\$8,500,000.00

(b) It is expressly understood and agreed that the printing business formerly owned by Sun and the Graphic Arts Building at Pender and Bute Streets, Vancouver, B.C., still owned by Sun or one of its subsidiaries in which the said printing business was formerly carried on, are not included in the property agreed to be sold by Sun to Pacific under this Agreement.

(c) It is agreed that, notwithstanding the provisions of paragraph (a) of this clause 1, the amount of cash to be paid to Pacific pursuant to the said provisions shall be varied upwards or downwards, as the case may be, to compensate for changes between 31st August, 1956, and the transfer date in the said values as in this clause set

forth of the aforesaid classifications of property and rights so to be conveyed, granted, assigned and transferred to Pacific so that the said amount of cash shall be decreased by an amount equivalent to the sum of payments by Sun or its subsidiaries other than Pacific for all additions to the fixed assets so to be sold and conveyed, all payments made after 28th February, 1957, on account of the principal amount of any of the said bonds or debentures retired and cancelled by Sun prior to the transfer date and the amount by which the value of the said newspaper inventories, valued at not more than the lower of cost or the current net sale value of the property and assets making up such inventories and prepaid expenses actually transferred to Pacific and any insurance payable in respect of loss or damage to the said newspaper inventories occurring up to the transfer date shall exceed in the aggregate the sum of \$380,000.00, and shall be increased by an amount equivalent to the sum of the proceeds other than insurance of all disposals of any of the fixed assets so to be sold and conveyed received by Sun or its subsidiaries, the amount by which the value of the said newspaper inventories valued as aforesaid and prepaid expenses actually transferred to Pacific and any insurance payable in respect of loss or damage to the said newspaper inventories occurring up to the transfer date shall be less in the aggregate than \$380,000.00 and the aggregate amount of all interest payable upon any of the said bonds and debentures and accrued and unpaid at the transfer date and the respective prices as hereinbefore in this clause set forth of the several classifications of property concerned shall be varied correspondingly. Where used in this clause, the term "fixed assets" shall mean assets of the classifications referred to in subparagraphs (i), (ii), (iii), (iv) and (v) of paragraph (a) of this clause 1;

(d) As part of the consideration for the said sale, conveyance, grant, assignment and transfer of property to Pacific by Sun, Pacific shall be required to and shall assume and undertake to pay to the exoneration of Sun all sums payable in respect of the amount of bonds and debentures issued by Sun and at the transfer date not redeemed and cancelled and all sums payable pursuant to the said contracts hereby agreed to be sold by Sun to Pacific for supplies, plant and equipment not actually delivered to Sun up to the transfer date; and Pacific shall also be required to and shall assume and undertake to pay all sums payable for holiday pay and other accrued liabilities relating to employees of Sun who become employees of Pacific, and to perform all obligations of Sun under leases of office space in the buildings owned and the lease of the carrier boys' camp at Tunstall Bay, and in respect of subscriptions for The Vancouver Sun and continuing contracts relating to advertising in The Vancouver Sun and the delivery of supplies to, and the production and distribution of, The Vancouver Sun made by Sun in the ordinary course of its business of publishing The Vancouver Sun, it being understood and agreed that all amounts so paid and the cost of all obligations so performed by Pacific, other than in respect of the said bonds and debentures, which are attributable to Sun's operations up to the transfer date shall be for the account of Sun and be reimbursed by Sun to Pacific.

2. The said net price of \$8,500,000 to be paid by Pacific for the said property and rights herein agreed to be sold and purchased shall be paid and satisfied in lawful money of Canada and paid to Sun or as it may in writing direct. The said net price shall be allocated

to the property and rights herein agreed to be sold and purchased in accordance with the provisions of clause 1 of this Agreement.

3. Until the time of closing hereinafter mentioned, Sun shall maintain or cause to be maintained insurance to not less than ninety per cent. (90%) of the full replacement value new of the property which pursuant to clause 1 of this Agreement is to be sold, conveyed, transferred and assigned to Pacific against all risks ordinarily insured against by companies or persons engaged in the newspaper publishing business; provided that notwithstanding the foregoing any of such property of a class or kind not ordinarily insured against loss by companies or persons carrying on the said business need not be so insured. Sun agrees that it will make or cause to be made the requisite arrangements with the insurers so that Pacific shall be held covered in respect of all loss under such insurance. In the event of any loss, damage or claim in respect of any risk for which insurance is to be carried as aforesaid arising before the time of closing Pacific as a condition of closing shall be entitled to be satisfied that the insurers recognize the claim of Pacific for payment in accordance with the terms of the policies.

4. (a) At the time of closing hereinafter mentioned Pacific shall issue and allot to Sun as fully paid and Sun shall take up and pay for at the par value thereof payable in lawful money of Canada 790,000 common shares of the par value of \$1.00 each of Pacific.

(b) At or before the time of closing Pacific shall create and authorize for immediate issue \$7,700,000 principal amount of 5 $\frac{1}{2}$ % 20 Year Redeemable Debentures due 30th June, 1977 of Pacific which said Debentures shall be created and authorized for issue in the form of the draft debenture annexed as Schedule "A" to this Agreement. At the time of closing hereinafter mentioned Pacific shall issue to Sun or as it may direct and Sun shall purchase or cause to be purchased all of the said \$7,700,000 principal amount of the said Debentures from Pacific for \$7,700,000 in lawful money of Canada together with accrued interest thereon from the date thereof.

5. The term "transfer date" as used in this Agreement means the hour of the close of business of the daily newspaper known as The Vancouver Sun published by Sun on the 13th day of June, 1957. At 3:30 o'clock in the afternoon of the next business day after the transfer date (herein called the "time of closing") the sale, conveyance, grant, assignment, transfer and payment to Pacific provided for in clause 1 of this Agreement shall be completed and carried through and the net price stipulated in said clause 1 to be paid by Pacific shall be paid and satisfied to Sun or as it may in writing direct.

6. Sun warrants and covenants (a) that Sun or its subsidiary companies will at the time of closing have a good and marketable title to the property and rights herein agreed to be sold and purchased free and clear of any encumbrance other than any charges created as security for the Bonds and Debentures hereinbefore recited or by any crossing agreements or area agreements in favour of the City of Vancouver and except any leasehold interests of tenants of office space in the buildings owned and except as disclosed by the consolidated balance sheet of Sun and its subsidiary companies as at 31st August, 1956 a copy of which Pacific acknowledges it has received;

and (b) that until the time of closing the businesses of Sun and its subsidiaries shall be carried on in the ordinary course and the property and rights herein agreed to be sold and purchased shall be kept up and maintained by Sun and its subsidiaries as fully and effectually and to the same extent as though this Agreement had not been entered into, the whole except as provided for in or to permit the carrying out of this Agreement.

7. Any notice or other instrument to be given or delivered pursuant to this Agreement shall be sufficiently given, in the case of a notice or other instrument to Sun, if enclosed in a sealed envelope addressed to Sun Publishing Company Limited, 500 Beatty Street, Vancouver 3, B.C., or at such other address as Sun shall advise in writing, and, in the case of a notice or other instrument to Pacific, if enclosed in a sealed envelope addressed to Pacific Press Limited, 500 Beatty Street, Vancouver, B.C., or at such other address as Pacific shall advise in writing, and in either case, mailed by registered mail, postage prepaid, at any post office in the Province of British Columbia. Any notice or other instrument so given shall be deemed for all purposes to have been given or delivered, as the case may be, forty-eight (48) hours after the time when the same was mailed, registered postage prepaid, as aforesaid.

8. Time shall be of the essence of this Agreement.

9. This Agreement shall be binding upon the parties hereto and upon their successors and assigns.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed under their respective corporate seals and the hands of their proper officers thereunto duly authorized as of the day and year first above mentioned.

THE CORPORATE SEAL of SUN
PUBLISHING COMPANY LIMITED
was hereunto affixed in the
presence of:

PRESIDENT

SECRETARY

THE CORPORATE SEAL of PACIFIC
PRESS LIMITED was hereunto
affixed in the presence of:

PRESIDENT

SECRETARY

THIS IS SCHEDULE "A" TO THE AGREEMENT
DATED _____, 1957, BETWEEN
SUN PUBLISHING COMPANY LIMITED AND
PACIFIC PRESS LIMITED.

NO.

\$

PACIFIC PRESS LIMITED

(Incorporated under the laws of British Columbia)

$5\frac{1}{2}\%$ 20 YEAR REDEEMABLE DEBENTURE

due 30th June, 1977.

PACIFIC PRESS LIMITED (hereinafter called "the Company") for value received hereby acknowledges itself indebted and promises to pay to the registered holder of this Debenture on the _____ day of _____, 1977, or on such earlier date as the principal hereof may become payable in accordance with the Conditions appended hereto, the sum of ----- THOUSAND DOLLARS (\$) ----- in lawful money of Canada on presentation and surrender of this Debenture at the principal office of the Company in the City of Vancouver, British Columbia, and in the meantime to pay interest on the said principal sum from the date hereof at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum in like money quarter-yearly on the last days of March, June, September and December in each year; and in case the Company at any time shall make default in the payment of any principal or interest, to pay interest on the amount in default at the same rate in like money at the same place and quarter-yearly on the same dates. Each instalment of interest shall be paid by cheque on the Company's bankers payable at par in Vancouver, B.C., to the order of the registered holder hereof and mailed to such registered holder at his last address appearing on the register.

This Debenture is issued subject to and with the benefit of the Conditions appended hereto which form part of this Debenture.

IN WITNESS WHEREOF the Company has caused this Debenture to be sealed with its Corporate Seal and to be signed by its proper officers duly authorized in that behalf the _____ day of _____, 1957.

PACIFIC PRESS LIMITED

Director

Secretary

THE CONDITIONS REFERRED TO IN AND FORMING PART
OF THE ANNEXED DEBENTURE

1. This Debenture is one of an issue of $5\frac{1}{2}\%$ 20 Year Redeemable Debentures maturing on the 30th day of June, 1977, limited to an aggregate principal amount at any one time outstanding of Seven Million Seven Hundred Thousand Dollars (\$7,700,000.00). With the said limit Debentures may be issued and re-issued at any time and from time to time as the Board of Directors of the Company may determine and each Debenture shall bear the date of issue or other date from which the person to whom the same is issued may be entitled to receive interest. The said Debentures are all to rank pari passu and without preference or priority one over the other.
2. A Register of the Debentures shall be kept by the Company at its principal office in the City of Vancouver, B.C., wherein the Registrar (who shall be appointed by the Company) shall enter the names and addresses of the registered holders of the Debentures and particulars of the Debentures held by them respectively; and the name of the registered holder and the date of registration shall be recorded on each Debenture. No transfer of a Debenture shall be valid unless made on the Register by the registered holder or his legal representatives or his or their attorney duly appointed by instrument in writing in form and execution satisfactory to the Registrar and unless recorded on the Debenture by the Registrar.
3. The person in whose name this Debenture shall for the time being be registered or his legal representatives shall for all purposes be deemed to be the absolute owner hereof and shall be entitled to the principal moneys and interest evidenced hereby free from all equities or rights of set-off or counterclaim between the Company and the original or any intermediate holder hereof and all persons may act accordingly; and the receipt of such registered holder or his legal representatives for such principal moneys and interest shall be a good discharge to the Company for the same and neither the Company nor the Registrar shall be bound to enquire into the title of any such registered holder or to take notice of or see to the execution of any trust whether express, implied or constructive in respect of this Debenture but may transfer the same on the direction of the person registered as the holder hereof whether named as trustee or otherwise or his legal representatives as though that person were the beneficial owner hereof. In case of joint registered holders the principal moneys and interest evidenced hereby shall be deemed to be owing to them upon a joint account.
4. The Company may at its option at any time call for redemption and redeem the said Debentures at par in whole or in part upon giving to the registered holders thereof not less than thirty (30) days notice of such redemption in writing; provided that if less than all of the said Debentures then outstanding are so called for redemption at any time, the Debentures to be redeemed shall be called for redemption and redeemed only pro rata according to the principal amount of Debentures held by the respective registered holders thereof. Upon such notice being given the principal amount specified in such notice of the Debentures so called for redemption in whole or in part and accrued interest on such principal amount shall be due and

payable at the place of payment named herein on the redemption date specified in such notice and with the same effect as if it were the date of maturity specified in this Debenture. In case of partial redemption of any Debenture the Company shall endorse such Debenture with a memorandum of the principal amount redeemed and return the Debenture to the holder or, subject to the next following Condition 5, at the option of the Company, deliver to such holder a new Debenture for the principal amount remaining unredeemed.

5. The Debentures may be issued in denominations of One Thousand Dollars (\$1,000.00) and multiples thereof and the Company shall from time to time make denominational exchanges at the request and expense of the registered holder of any Debenture.

6. The principal moneys owing on this Debenture shall immediately become due and payable:

- (a) if the Company makes default in the payment of any principal or interest payable under the terms of this Debenture or of any other Debenture of the issue of which this Debenture is one and if such default shall continue for fifteen (15) days after notice thereof shall have been given to the Company in writing by the registered holder of any of the Debentures of the said issue;
- (b) if an Order be made or an effective Resolution be passed for the winding up of the Company;
- (c) if the Company shall make an assignment for the benefit of its creditors or shall be declared bankrupt or make an authorized assignment or if a custodian or receiver be appointed under the Bankruptcy Act or if a compromise or arrangement is proposed by the Company to its creditors or any class of its creditors or if a distress or execution against the Company's properties or any part thereof shall remain unsatisfied for a period of thirty (30) days or if a receiver of all or any part of the undertaking, property and assets of the Company or any other officer with like powers shall be appointed; or
- (d) if the Company, without the previous consent in writing of the registered holders of two-thirds in principal amount of the Debentures of this issue then outstanding, shall issue any Debentures of this issue in excess of the authorized amount stated in Condition 1 above.

7. Any notice may be given to the holder of this Debenture by sending it by ordinary post enclosed in a prepaid envelope addressed to the person who at the time of the giving of such notice is the registered holder hereof at his last address appearing upon the Register. Any notice so given shall be deemed to have been given at the expiration of twenty-four (24) hours after it shall have been deposited in a Post Office or public letter box in the City of Vancouver, B.C.

8. These Conditions and the rights of the holders of the Debentures may be altered, amended, added to or abrogated by the Company at any time with the written consent of the holders of seventy-five per cent (75%) of the principal amount of all of the Debentures of this issue for the time being outstanding.

9. Each page of these Conditions shall be authenticated by the imprint thereon of the Corporate Seal of the Company.

10. This Debenture shall rank after the $4\frac{1}{2}\%$ Sinking Fund Debentures of Sun Publishing Company Limited issued under that certain Trust Indenture dated the 1st day of November, 1949, made between Sun Publishing Company Limited of the first part and National Trust Company, Limited, as Trustee, of the second part, the due and punctual payment of the principal, premium, if any, and interest of which has been assumed by the Company; and the holder of this Debenture by the acceptance hereof agrees that all moneys received hereunder on account of principal by the holder hereof or his assigns shall, for so long as any of the said $4\frac{1}{2}\%$ Sinking Fund Debentures are outstanding, be received as trustee for the benefit of the holders of the said $4\frac{1}{2}\%$ Sinking Fund Debentures and be held by the holder hereof to secure payment to the holders of the said $4\frac{1}{2}\%$ Sinking Fund Debentures of the ultimate deficiency, if any, of moneys owing thereunder and when such ultimate deficiency is finally determined, such moneys so received by the holder hereof or his assigns shall be paid over to the Trustee for the time being under the said Trust Indenture dated the 1st day of November, 1949, pro rata in accordance with the aggregate principal amount of this series of Debentures held by the respective holders of this series of Debentures but only to the extent required to pay the said ultimate deficiency upon the said $4\frac{1}{2}\%$ Sinking Fund Debentures.

(No writing hereon except by the Registrar)

DATE OF
REGISTRARION

IN WHOSE NAME REGISTERED

SIGNATURE OF REGISTRAR

No.

PACIFIC PRESS LIMITED

5^{1st} 20 YEAR REDEEMABLE
DEBENTURE

Principal \$
Date
Maturity 30th June , 1977
Interest
Payable and

THIS IS SCHEDULE "D" TO THE AGREEMENT DATED
24TH MAY, 1957, BETWEEN SUN PUBLISHING COMPANY
LIMITED AND THE SOUTHAM COMPANY LIMITED

THIS AGREEMENT made the day of May, 1957

BETWEEN:

THE SOUTHAM COMPANY LIMITED,
a Company incorporated under
the laws of Canada, having
its head office at the City
of Toronto, in the Province
of Ontario,

hereinafter called "Southam"

OF THE FIRST PART,

AND:

PROVINCE NEWSPAPERS LIMITED,
a Company incorporated under
the laws of British Columbia,
having its registered office
at the City of Vancouver, in
the said Province,

hereinafter called "Province
Newspapers"

OF THE SECOND PART.

WITNESSETH THAT, in consideration of the mutual covenants, agreements, warranties, payments and other matters hereinafter set forth and provided for, Southam and Province Newspapers respectively covenant and agree each with the other as follows:

1. (a) Southam agrees to sell, convey, grant, assign and transfer to Province Newspapers and Province Newspapers agrees to purchase the following property and rights of The Vancouver Province Division of Southam at the following respective prices based on figures at 30th November, 1956, subject to amendment as hereinafter provided to reflect changes to the transfer date, viz:

- (i) All buildings, plant and equipment used by The Vancouver Province Division of Southam for any purpose relating to the production of its daily newspaper known as The Province or the distribution thereof or for the transportation, handling and storage of raw materials required in relation thereto, except any buildings in the City block bounded by Hornby, Burrard, Pacific and Drake Streets, Vancouver, B.C., at estimated undepreciated capital cost, being not more

	than capital cost as recognized by the Income Tax authorities	\$ 411,203.00
(ii)	All land upon which any of such buildings, plant and equipment or raw materials are located ex- cept any land within the said City block, at	88,795.00
(iii)	The Canadian Press franchise pursuant to which The Province or Southam in respect of The Province is entitled to receive the communication of news for publication in The Province in the re- tail trading area of the City of Van- couver and the benefit of all sub- scriptions to press, news and feature services held, owned or enjoyed by The Vancouver Province Division of Southam or by Southam solely for the benefit of its said Division and the goodwill attaching to and the right to publish the said evening newspaper known as The Province in the said City of Vancouver and all subscription or circulation lists of The Province, at	1.00
(iv)	All newspaper inventories, including, but without being limited to, inven- tories of newsprint, ink, metal and other products or materials of what- soever nature or kind used for the purposes of the business of The Van- couver Province Division of Southam in relation to its production, sale and distribution of the said news- paper, The Province, and prepaid ex- penses of the said Division of Southam, at	300,000.00
(v)	All contracts for supplies of raw materials, plant and equipment en- tered into by The Vancouver Province Division of Southam or by Southam for the benefit of its Vancouver Pro- vince Division for the purpose of carrying on the business or expanding or improving the plant of the said Division of Southam, at	1.00
(vi)	Cash	Nil
Total price payable		<hr/> <hr/> \$ 800,000.00 <hr/> <hr/>

(b) It is agreed that, notwithstanding the provisions of paragraph (a) of this Clause 1 of this Agreement, the total price payable by Province Newspapers to Southam in respect of the sale to Province Newspapers of the said property and rights described or referred to in paragraph (a) of this Clause 1 shall be varied upwards or downwards, as the case may be, to compensate for changes between 30th November, 1956, and the transfer date in the said values as in the said paragraph (a) set forth of the aforesaid classifications of property and rights so to be conveyed, granted, assigned and transferred to Province Newspapers so that the said price shall be decreased by an amount equivalent to the sum of the proceeds other than insurance of all disposals of any of the fixed assets so to be sold and conveyed and the amount by which the value of the said newspaper inventories, valued at not more than the lower of cost or the current net sale value of the property and assets making up such inventories, and prepaid expenses actually transferred to Province Newspapers and any insurance payable in respect of loss or damage to the said newspaper inventories up to the transfer date shall be less in the aggregate than \$300,000.00, and shall be increased by an amount equivalent to the sum of payments by Southam for all additions to the fixed assets so to be sold and conveyed and the amount by which the value of the newspaper inventories valued as aforesaid and prepaid expenses actually transferred to Province Newspapers and any insurance payable in respect of loss or damage to the said newspaper inventories up to the transfer date shall exceed in the aggregate the sum of \$300,000.00 and the respective prices as hereinbefore in this clause set forth of the several classifications of property concerned shall be varied correspondingly. Where used in this clause, the term "fixed assets" shall mean assets of the classifications referred to in subparagraphs (i) and (ii) of paragraph (a) of this Clause 1;

(c) As part of the consideration for the said sale, conveyance, grant, assignment and transfer of property to Province Newspapers by Southam, Province Newspapers shall be required to and shall assume and undertake to pay to the exoneration of Southam all sums payable pursuant to the said contracts hereby agreed to be sold by Southam to Province Newspapers for supplies, plant and equipment not actually delivered to Southam up to the transfer date; and that Province Newspapers shall also be required to and shall assume and undertake to pay all sums payable for holiday pay and other accrued liabilities relating to employees of The Vancouver Province Division of Southam whose employment in relation to The Province is continued after the transfer date, and to perform all obligations of Southam under leases of office space in the buildings owned and in respect of subscriptions for The Province and continuing contracts relating to advertising in The Province and the delivery of supplies to, and the production and distribution of, The Province made by Southam in the ordinary course of its business of publishing The Province, it being understood and agreed that all amounts so paid and the cost of all obligations so performed by Province Newspapers, which are attributable to the operations of The Vancouver Province Division of Southam up to the transfer date, shall be for the account of Southam and be reimbursed by Southam to Province Newspapers, and that in the event of the winding up of Province Newspapers it shall arrange with the holder or holders of a majority of its then issued and outstanding common shares that all obligations of Province Newspapers pursuant to this paragraph (c) which have not then been fully performed or satisfied

by Province Newspapers shall be assumed and discharged by the said holder or holders of a majority of its then issued and outstanding common shares.

2. The said total price to be paid by Province Newspapers to Southam for the said property and rights herein agreed to be sold and purchased shall be paid and satisfied as to \$10,000.00 thereof by the payment by Province Newspapers to Southam of \$10,000.00 in lawful money of Canada and as to the balance thereof by the issue and delivery to Southam by Province Newspapers of the latter's promissory note payable on demand without interest for a principal amount equivalent to such balance. The said total price shall be allocated to the property and rights herein agreed to be sold and purchased in accordance with the provisions of Clause 1 of this Agreement.

3. Until the time of closing hereinafter mentioned, Southam shall maintain or cause to be maintained insurance to not less than ninety per cent (90%) of the full replacement value new of the property which, pursuant to Clause 1 of this Agreement, is to be sold, conveyed, transferred and assigned to Province Newspapers against all risks ordinarily insured against by companies or persons engaged in the newspaper publishing business; provided that, notwithstanding the foregoing, any of such property of a class or kind not ordinarily insured against loss by companies or persons carrying on the said business need not be so insured. Southam agrees that it will make or cause to be made the requisite arrangements with the insurers so that Province Newspapers shall be held covered in respect of all loss under such insurance. In the event of any loss, damage or claim in respect of any risk for which insurance is to be carried as aforesaid arising before the time of closing, Province Newspapers, as a condition of closing, shall be entitled to be satisfied that the insurers recognize the claim of Province Newspapers for payment in accordance with the terms of the policies.

4. The term "transfer date", as used in this Agreement, means the hour of the close of business of the said newspaper known as The Province on the 13th day of June, 1957. At 3:30 o'clock in the afternoon of the next business day after the transfer date (herein called the "time of closing"), the sale, conveyance, grant, assignment and transfer to Province Newspapers provided for in Clause 1 of this Agreement shall be completed and carried through and the net price stipulated in said Clause 1 to be paid by Province Newspapers shall be paid and satisfied to Southam or as it may in writing direct.

5. Southam warrants and covenants:

(a) That Southam will, at the time of closing, have a good and marketable title to the property and rights herein agreed to be sold and purchased free and clear of any encumbrance other than any charges created by any crossing agreements or area agreements in favour of the City of Vancouver and except any leasehold interests of tenants of office space in the buildings owned and except as disclosed by the balance sheet of The Vancouver Province Division of Southam as at 30th November, 1956, a copy of which Province Newspapers acknowledges it has received; and

(b) That, until the time of closing, the business of The Vancouver Province Division of Southam shall be carried on in the ordinary course and the property and rights herein agreed to be sold and purchased shall be kept up and maintained by Southam as fully and effectually and to the same extent as though this Agreement had not been entered into, the whole except as provided for in or to permit the carrying out of this Agreement.

6. Any notice or other instrument to be given or delivered pursuant to this Agreement shall be sufficiently given, in the case of a notice or other instrument to Southam, if enclosed in a sealed envelope addressed to The Southam Company Limited, 321 Bloor Street East, Toronto, Ontario, or at such other address as Southam shall advise in writing, and, in the case of a notice or other instrument to Province Newspapers, if enclosed in a sealed envelope addressed to Province Newspapers Limited, c/o The Vancouver Province, Vancouver, B.C., or at such other address as Province Newspapers shall advise in writing, and in either case mailed by registered mail, postage prepaid, at any post office in the Province of British Columbia or in the Province of Ontario. Any notice or other instrument so given shall be deemed for all purposes to have been given or delivered, as the case may be, forty-eight (48) hours after the time when the same was mailed, registered postage prepaid, as aforesaid.

7. Time shall be of the essence of this Agreement.

8. This Agreement shall be binding upon the parties hereto and upon their successors and assigns.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed under their respective corporate seals and the hands of their proper officers thereunto duly authorized at the City of Vancouver, in the Province of British Columbia, as of the day and year first above mentioned.

THE CORPORATE SEAL of THE SOUTHAM COMPANY LIMITED)
was hereunto affixed in the presence of:

PRESIDENT

SECRETARY

THE CORPORATE SEAL of PROVINCE NEWSPAPERS LIMITED)
was hereunto affixed in the presence of:

PRESIDENT

SECRETARY

Government
Publications

